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TOWN OF KENTWOOD

LOUISIANA

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/17/02

**TOWN OF KENTWOOD
LOUISIANA**

**GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

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**TOWN OF KENTWOOD
LOUISIANA**

**GENERAL PURPOSE FINANCIAL STATEMENTS
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**TOWN OF KENTWOOD
LOUISIANA**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Bobby Gill
and Members of the Board of Aldermen
Town of Kentwood, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Kentwood, Louisiana's, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Kentwood, Louisiana, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with auditing standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2002 on our consideration of the Town of Kentwood, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

The Honorable Mayor, Bobby Gill
And Members of the Board of Aldermen
Page 2

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Kentwood, Louisiana, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements of the Town of Kentwood, Louisiana. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Kentwood, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

May 24, 2002

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

Town of Kentwood

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2001

	Governmental Funds			Proprietary Fund
	General	Special Revenue	Capital Projects	Enterprise
ASSETS				
Cash	\$ 1,022,127	\$ 562,711	\$ 2	\$ 602,483
Taxes Receivable, Net	40,780	-	-	-
Accounts Receivable, Net	-	-	-	181,918
Inventory	-	-	-	20,044
Due From Other Funds	-	650	-	140
Due From Other Governments	19,825	29,989	-	-
Other Receivables	9,721	264	-	-
Restricted Assets - Cash	-	-	-	345,772
Fixed Assets	-	-	-	6,167,994
Accumulated Depreciation	-	-	-	(2,740,416)
TOTAL ASSETS	\$ 1,092,453	\$ 593,614	\$ 2	\$ 4,577,935

(Continued on the following page.)

The accompanying notes are an integral part of this statement.

Statement A

ACCOUNT GROUP			
General	General	Total	
Fixed	Long-term	Memorandum Only	
Assets	Obligations	2001	2000
\$ -	\$ -	\$ 2,187,323	\$ 1,803,002
-	-	40,780	64,930
-	-	181,918	309,295
-	-	20,044	-
-	-	790	3,335
-	-	49,814	62,500
-	-	9,985	9,340
-	-	345,772	301,976
1,891,895	-	8,059,889	7,844,290
-	-	(2,740,416)	(2,550,217)
<u>\$ 1,891,895</u>	<u>\$ -</u>	<u>\$ 8,155,899</u>	<u>\$ 7,848,451</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2001

	Governmental Funds			Proprietary Fund
	General	Special Revenue	Capital Projects	Enterprise
LIABILITIES				
Accounts Payable	\$ 36,803	\$ 1,972	\$ 2	\$ 65,582
Other Accrued Expenses	25,844	-	-	8,950
Payable From Restricted Assets:				
Customer Deposits	-	-	-	80,048
Revenue Bonds	-	-	-	10,500
Accrued Interest Payable -	-	-	-	-
Due to Other Funds	790	-	-	-
Due to Other Governments	-	-	-	951
Deferred Revenue	8,585	-	-	-
Revenue Bonds Payable	-	-	-	818,407
Total Liabilities	<u>72,022</u>	<u>1,972</u>	<u>2</u>	<u>984,438</u>
FUND EQUITY				
Contributed Equity	-	-	-	3,505,746
Accumulated Amortization	-	-	-	(1,067,690)
Investment in General Fixed Assets	-	-	-	-
Retained Earnings:				
Reserved for Contingencies	-	-	-	228,325
Reserved for Bond				
Payments RUS	-	-	-	29,486
Unreserved	-	-	-	897,630
Fund Balance:				
Reserved for Economic Development	405,030	-	-	-
Unreserved-Undesignated	615,401	591,642	-	-
Total Fund Balance/Retained Earnings	<u>1,020,431</u>	<u>591,642</u>	<u>-</u>	<u>1,155,441</u>
Total Fund Equity	<u>1,020,431</u>	<u>591,642</u>	<u>-</u>	<u>3,593,497</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,092,453</u>	<u>\$ 593,614</u>	<u>\$ 2</u>	<u>\$ 4,577,935</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**Statement A
(Continued)**

Account Group		Total	
General Fixed Assets	General Long-term Obligations	Memorandum Only	
		2001	2000
\$ -	\$ -	\$ 104,359	\$ 199,466
-	-	34,794	32,193
-	-	80,048	77,726
-	-	10,500	10,394
-	-	-	-
-	-	790	3,335
-	-	951	993
-	-	8,585	12,449
-	-	818,407	828,617
-	-	1,058,434	1,165,173
-	-	3,505,746	2,876,953
-	-	(1,067,690)	(959,348)
1,891,895	-	1,891,895	2,336,993
-	-	228,325	192,822
-	-	29,486	25,678
-	-	897,630	837,484
-	-	405,030	377,925
-	-	1,207,043	994,771
-	-	2,767,514	2,428,680
1,891,895	-	7,097,465	6,683,278
<u>\$ 1,891,895</u>	<u>\$ -</u>	<u>\$ 8,155,899</u>	<u>\$ 7,848,451</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2001**

	GOVERNMENTAL FUNDS		
	General	Special Revenue	Capital Projects
Revenues			
Taxes	\$ 629,441	\$ -	\$ -
Licenses and Permits	118,551	-	-
Intergovernmental	39,061	219,545	218,030
Charges for Services	17,725	-	-
Fines and Forfeits	14,806	-	-
Miscellaneous	153,620	9,572	-
Total Revenues	<u>973,204</u>	<u>229,117</u>	<u>218,030</u>
Expenditures			
General and Administrative	288,370	-	-
Public Safety	443,256	78,252	-
Streets and Sanitation	400,329	-	-
Health	6,161	-	-
Cultural	8,759	-	-
Capital Outlays	40,357	-	218,030
Total Expenditures	<u>1,187,232</u>	<u>78,252</u>	<u>218,030</u>
Excess of Revenues (Expenditures)	<u>(214,028)</u>	<u>150,865</u>	<u>-</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	12,541	-	-
Operating Transfers In	290,000	8,130	-
Operating Transfers Out	(8,130)	-	-
Total Other Financing Sources (Uses)	<u>294,411</u>	<u>8,130</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>80,383</u>	<u>158,995</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>940,048</u>	<u>432,647</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,020,431</u>	<u>\$ 591,642</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Statement B

TOTALS (MEMORANDUM ONLY)

<u>2001</u>	<u>2000</u>
\$ 629,441	\$ 662,951
118,551	113,890
476,636	677,946
17,725	14,189
14,806	14,635
<u>163,192</u>	<u>172,702</u>
<u>1,420,351</u>	<u>1,656,313</u>
288,370	274,680
521,508	544,882
400,329	355,976
6,161	5,642
8,759	8,733
<u>258,387</u>	<u>636,289</u>
<u>1,483,514</u>	<u>1,826,202</u>
<u>(63,163)</u>	<u>(169,889)</u>
12,541	325,790
298,130	107,636
<u>(8,130)</u>	<u>(30,514)</u>
<u>302,541</u>	<u>402,912</u>
239,378	233,023
<u>1,372,695</u>	<u>1,139,673</u>
\$ <u><u>1,612,073</u></u>	\$ <u><u>1,372,696</u></u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Statement C

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUND TYPES
Year Ended December 31, 2001**

	GENERAL FUND TYPE			SPECIAL REVENUE FUND TYPES		
			Variance Favorable			Variance Favorable
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues						
Taxes	\$ 623,920	\$ 629,441	\$ 5,521	\$ -	\$ -	\$ -
Licenses and Permits	114,200	118,551	4,351	-	-	-
Intergovernmental	32,232	39,061	6,829	215,275	219,545	4,270
Charges for Services	16,675	17,725	1,050	-	-	-
Fines and Forfeits	16,000	14,806	(1,194)	-	-	-
Miscellaneous	<u>146,850</u>	<u>153,620</u>	<u>6,770</u>	<u>3,400</u>	<u>9,572</u>	<u>6,172</u>
Total Revenues	<u>949,877</u>	<u>973,204</u>	<u>23,327</u>	<u>218,675</u>	<u>229,117</u>	<u>10,442</u>
Expenditures						
General and Administrative	313,640	288,370	25,270	-	-	-
Public Safety	467,870	443,256	24,614	103,400	78,252	25,148
Streets and Sanitation	411,680	400,329	11,351	-	-	-
Health	6,370	6,161	209	-	-	-
Cultural	8,700	8,759	(59)	-	-	-
Capital Outlays	<u>36,500</u>	<u>40,357</u>	<u>(3,857)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,244,760</u>	<u>1,187,232</u>	<u>57,528</u>	<u>103,400</u>	<u>78,252</u>	<u>25,148</u>
Excess of Revenues (Expenditures)	<u>(294,883)</u>	<u>(214,028)</u>	<u>80,855</u>	<u>115,275</u>	<u>150,865</u>	<u>35,590</u>
Other Financing Sources (Uses)						
Sale of Fixed Assets	12,360	12,541	181	-	-	-
Operating Transfers In	290,000	290,000	-	9,000	8,130	(870)
Operating Transfers Out	<u>(9,000)</u>	<u>(8,130)</u>	<u>870</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>293,360</u>	<u>294,411</u>	<u>1,051</u>	<u>9,000</u>	<u>8,130</u>	<u>(870)</u>
Excess Revenues and Other Financing Sources (Expenditures and Other Financing Uses)	<u>(1,523)</u>	<u>80,383</u>	<u>81,906</u>	<u>124,275</u>	<u>158,995</u>	<u>34,720</u>
Fund Balance, Beginning of Year	<u>940,048</u>	<u>940,048</u>	<u>-</u>	<u>432,647</u>	<u>432,647</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 938,525</u>	<u>\$ 1,020,431</u>	<u>\$ 81,906</u>	<u>\$ 556,922</u>	<u>\$ 591,642</u>	<u>\$ 34,720</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Statement D

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN UNRESERVED RETAINED EARNINGS
PROPRIETARY FUND TYPE
Year Ended December 31, 2001**

Operating Revenues

Charges for Services:

Water Sales	\$ 300,154
Sewer Service Charges	253,806
Gas Sales	294,579
Service Connection Charges	3,527
Delinquent Charges	41,610
Other Income	8,274

Intergovernmental:

Contributions Received From HUD	<u>148,722</u>
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Total Operating Revenues

1,050,672

Operating Expenses

Water Department Expenses	269,759
Gas Department Expenses	177,859
Sewer Department Expenses	213,413
Section 8 Housing	<u>145,995</u>

Total Operating Expenses

807,026

Net Operating Income

243,646

Nonoperating Revenues (Expenses)

Entergy Refund	46,138
Interest Income	35,486
Bad Debt Recoveries	2,854
Interest Expense	(43,078)
Bad Debt Expense	<u>(3,931)</u>

Total Nonoperating Revenues (Expenses)

37,469

Net Income Before Operating Transfers

281,115

Operating Transfer Out

(290,000)

Net Income (Loss)

(8,885)

Unreserved Retained Earnings, Beginning of Year

837,484

Add: Amortization on Contributed Capital

108,342

Less: Increase in Reserved Retained Earnings

(39,311)

Unreserved Retained Earnings, End of Year

\$ 897,630

The accompanying notes are an integral part of this statement.

Town of Kentwood

Statement E

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE
Year Ended December 31, 2001**

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income	\$ 243,646
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation expense	190,199
Change in accounts receivable	127,377
Change in inventory	(20,044)
Change in due to/from other funds	(1,640)
Change in due to others	(12,490)
Change in accounts payable	(75,275)
Change in accrued payables	(210)
Change in customer deposits payable	<u>2,322</u>
 Total Adjustments	 <u>210,239</u>
 Net Cash Provided by Operating Activities	 453,885

Cash Flows from Capital and Related Financing Activities:

Interest income	35,486
Repayment of RUS bonds	(10,104)
Payment for capital acquisitions	(660,697)
Interest paid	(43,078)
Capital contributions	<u>628,793</u>
 Net Cash Used for Capital and Related Financing Activities	 (49,600)

Cash Flows from Non-capital Financing Activities:

Operating Transfers to Other Funds	(290,000)
Entergy Refund	46,138
Bad Debt Recoveries	2,854
Bad Debt Expense	<u>(3,931)</u>
 Net Cash Used for Non-capital Financing Activities	 <u>(244,939)</u>

Net Increase in Cash and Cash Equivalents	159,346
Cash and Cash Equivalents, Beginning of Year	<u>788,909</u>
Cash and Cash Equivalents, End of Year	<u>\$ 948,255</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2001

Introduction

The Town of Kentwood was incorporated March, 1893, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. For financial reporting purposes, the Town includes all funds and account groups that are controlled by or dependent on the Town as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Town's obligation to fund any deficits.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the Town of Kentwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As the municipal governing authority, for reporting purpose, the Town of Kentwood is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (Town of Kentwood), (b) organizations for which the primary government is financially accountable, and (c) other organizations which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No.14 established criteria for determining which component units should be considered part of the Town of Kentwood for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Town of Kentwood to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town of Kentwood.
2. Organizations for which the Town of Kentwood does not appoint a voting majority but are fiscally dependent on the Town of Kentwood.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

Generally accepted accounting principals require the Town of Kentwood (the primary government) to present these financial statements with any component units. Considered in the determination of component units of the reporting entity were the Tangipahoa Parish Council, Sheriff, Clerk of Court, Assessor, and School Board, and the District Attorney and Judges for the 21st Judicial District. It was determined that these entities are not component units of the Town of Kentwood reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Town of Kentwood. The Town of Kentwood has no component units to include in its financial statements.

C. Fund Accounting

The Town of Kentwood uses fund types and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Town of Kentwood are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each fund type follows:

Governmental Funds

Governmental funds are used to account for all or most of the Town of Kentwood's general activities, including the collection and disbursement of specific or legally restricted monies, and the acquisition or construction of general fixed assets. Governmental funds include:

1. General fund - the general operating fund of the Town of Kentwood and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
3. Capital projects funds - account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary Fund

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The Town of Kentwood has only one proprietary fund type as follows:

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

Enterprise fund - accounts for operations (a) where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are measurable and available).

Expenditures

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations which are recognized when paid.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). The transfers are recorded at the time the money is transferred.

The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when they are earned, and its expenses are recognized when they are incurred.

E. Budgets and Budgetary Accounting

The Town of Kentwood follows these procedures and those required by the Local Budget Act No. 504 of the 1980 Legislature and its amendments in establishing the budgetary data reflected in these financial statements.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

1. The Mayor and Town Clerk prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving the increase in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General, Special Revenue, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

F. Encumbrances

The Town of Kentwood does not use encumbrance accounting.

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Kentwood may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

H. Investments

Investments are limited by Louisiana Revised Statutes (R.S.) 33:2955 and the Town of Kentwood's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

Investments of the Town of Kentwood are maintained in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of Louisiana, and operates as a local government investment pool. LAMP invests its assets only in securities and other obligations that are permissible under Louisiana State law for local governments. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or otherwise backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises, or instrumentalities.

LAMP is an external investment pool that is not registered with the SEC as an investment company, but nevertheless operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the reporting of investment positions in 2a7-like pools (such as LAMP) be based on the pool's share price.

I. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

J. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriations. The Town of Kentwood does not have any of these type advances.

K. Inventories

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

L. Prepaid Items

The Town of Kentwood does not have any prepaid items.

M. Restricted Assets

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets in the balance sheet because their use is limited by applicable bond covenants.

N. Fixed Assets

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

capitalized. Interest costs incurred during construction are capitalized. No depreciation has been provided on general fixed assets. All assets are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Fixed assets used in the proprietary fund are included on the balance sheet of the funds. Depreciation of exhaustible fixed assets used by the proprietary fund is charged as an expense against operations, and accumulated depreciation is reported on the proprietary fund's balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

O. Compensated Absences (Annual Vacation and Sick Leave)

The Town of Kentwood has the following policy related to annual vacation and sick leave:

All regular employees, after one year of employment, are entitled to the following annual vacation and sick leave:

All regular employees, except police with less than three years, earn:

Annual leave	-	½ day per month
Sick leave	-	1 day per month

Police with less than six years earn:

Annual leave	-	2 weeks per year
Sick leave	-	1 day per month

All regular employees, except police with three years, but less than ten years earn:

Annual leave	-	¾ day per month
Sick leave	-	1 day per month

Police after six years earn:

Annual leave	-	3 weeks per year
Sick leave	-	1 day per month

All regular employees except police with ten years or more earn:

Annual leave	-	1 day per month
Sick leave	-	1 day per month

All regular employees are allowed to accumulate up to thirty (30) days of unused annual leave and an unlimited amount of unused sick leave.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

When workmen's compensation is due an employee, that employee has the option of using accrued annual vacation and sick leave while drawing workmen's compensation, but must reimburse the town all workmen's compensation benefits received.

A law officer disabled while performing duty of hazardous nature may be granted a leave of absence by the Town with full pay during the period of disability, provided all workmen's compensation benefits are reimbursed to the town.

As of December 31, 2001, the General Fund reported accrued annual vacation leave of \$14,284. The Enterprise Fund for the same period reported accrued vacation leave of \$4,747.

In accordance with Financial Accounting Standards Board (FASB) Statement Number 43, no liability has been accrued for unused sick leave.

P. Long-term Obligations

Long-term obligations of the Town of Kentwood expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental fund when due. Long-term obligations expected to be financed from propriety fund operations are accounted for in those funds.

Q. Fund Equity

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition of or construction of capital assets. Contributed capital is amortized based on the depreciation recognized in that portion of the assets acquired or constructed from such resources.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

Designated fund balance

Designated fund balances represent tentative plans for future use of financial resources.

R. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the Town of Kentwood are reported as operating transfers.

S. Bad Debts

The Town of Kentwood does not have an allowance for uncollectible ad valorem taxes because the amounts, if any, are immaterial. Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the direct write-off method. An allowance account of \$18,518 was set up for uncollectible receivables at year end.

T. Total Columns on Combined Statements

Total Columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Cash and Cash Equivalents

At December 31, 2001, the Town has cash and cash equivalents (book balances) totaling \$2,533,095, as follows:

LAMP (See footnote 3)	\$ 1,680,952
Interest bearing demand deposit	561,862
Non-interest bearing demand deposit	290,281
Total	<u>\$ 2,533,095</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2001, the Town has \$869,261 in deposits (collected bank balances). These deposits are secured from risk by \$390,000 of federal deposit insurance and \$479,261 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

3. Investments

Investments are categorized into these three categories of credit risk:

- I. Insured or registered, or securities held by the town or its agent in the town's name
- II. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the town's name
- III. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the town's name

All investments held by the Town of Kentwood fall into category I credit risk, defined as "insured or registered, or securities held by the Town of Kentwood or its agent in the Town of Kentwood's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

Investments held by the Town of Kentwood at December 31, 2001, are as follows:

Type of Investment	Fair Value	Total Carrying Amount
LAMP	\$ 1,680,952	\$ 1,680,952

In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 2001, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

4. Taxes

For the year ended December 31, 2001 taxes were levied as follows:

On December 14, 1970, the Town of Kentwood was authorized to levy a one percent (1%) sales and use tax. The proceeds of this one percent (1%) sales and use tax levied by the Town are for general corporate purposes. On June 14, 1984, the Town amended the provisions of this one percent (1%) sales and use tax as to the definitions, goods and services taxable, exemptions, penalties, interest, fines, etc.

In an election held April 7, 1984, the Town was authorized to levy and collect an additional tax of one percent (1%) in addition to a sales and use tax now levied and collected in the Town upon the sale at retail, the use, the lease or rental, the consumption, and storage for use or consumption, of tangible personal property and on sales of services in the Town, all as presently defined, in LRS - 47:317, inclusive for a period of twenty (20) years from date of the first levy of said tax, with the proceeds of the tax (after paying reasonable and necessary costs and expenses of collecting and administering tax) to be used for the following purposes: not to exceed fifty percent (50%) of the proceeds for the constructing, acquiring, improving, maintaining and operating solid waste collection and disposal facilities; the remainder of the proceeds for the purpose of paying policemen's and other Town employees salaries and other general operating costs of the Town; constructing and acquiring additions, extensions and improvements to the sewerage collection, disposal and treatment plant and system, the waterworks plant and system; and the natural gas system; constructing, paving, resurfacing and improving streets, sidewalks, roads, bridges, alleys, drains and drainage canals, and acquiring necessary equipment for the maintenance thereof; acquiring fire protection and public safety equipment and facilities; constructing and improving public buildings, jails, public parks, and recreation facilities, including the necessary equipment and furnishings thereof; title to said improvements shall be in the public. The additional one percent (1%) sales and use tax was levied effective July, 1984.

Sales and use taxes collected for year ended December 31, 2001, was \$529,348.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the Town on July 5, 2001, and actually billed to the taxpayers in November, 2001. Billed taxes were delinquent on January 1, 2002. Revenues from ad valorem taxes are budgeted in the year billed.

The Town of Kentwood bills and collects its own property taxes, using the assessed value determined by the tax assessor of Tangipahoa Parish, Louisiana.

For the year ended December 31, 2001, taxes of 6.40 mills were levied on property with assessed valuations totaling \$12,853,145 and were dedicated as follows:

	<u>Mills</u>	<u>FYE 12/31/01</u>
General Corporate Purposes	6.40	<u>\$ 58,788</u>

The Town does not have an allowance for uncollectible ad valorem taxes because the amounts, if any, are immaterial.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

The following public utilities were assessed a public utilities franchise tax for the privilege of providing services to the citizens of the Town of Kentwood. These taxes are dedicated for any general corporate purpose.

	FYE 12/31/01
Entergy	\$ 35,594
Cable TV	5,189
	<u>\$ 40,783</u>

Taxes receivable in the general fund at December 31, 2001, consisted of the following:

	FYE 12/31/01
Ad Valorem Taxes Receivable, Current Roll	\$ 22,878
Public Utility Franchise Tax Receivable	17,902
Total Taxes Receivable, Net	<u>\$ 40,780</u>

5. Accounts Receivable

The Enterprise Fund accounts receivable at December 31, 2001, consisted of the following:

	FYE 12/31/01
Accounts Receivable	
Current	\$ 146,749
30-60 Days	25,212
60-90 Days	10,466
90 Days and Over	18,009
Total	<u>200,436</u>
Less: Allowance for Bad Debt	<u>(18,518)</u>
Accounts Receivable, Net	<u>\$ 181,918</u>

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

6. Interfund Receivables, Payables

At December 31, 2001, the Town had the following interfund receivables/payables.

	Due to Other Funds	Due From Other Funds
General Fund	\$ 790	\$ -
Special Revenue Fund	-	650
Enterprise Fund	-	140
Total	<u>\$ 790</u>	<u>\$ 790</u>

7. Due From Other Governments

Amounts due from other governmental units consisted of the following:

	<u>12/31/01</u>
General Fund:	
Taxes due from the State of Louisiana	\$ 4,637
Taxes due from the Tangipahoa Parish School Board	15,188
Special Revenue Funds:	
Tangipahoa Parish Council Maintenance Allowance	29,989
Total Due From Other Governments	<u>\$ 49,814</u>

8. Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at December 31, 2001:

	<u>12/31/01</u>
Bond Reserve Account	\$ 29,486
Bond Contingency Account	33,636
Contingency Account	194,689
Customers' Deposits	87,961
	<u>\$ 345,772</u>

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

9. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance December 31, 2000	Additions	Deletions	Balance December 31, 2001
Land	\$ 146,138	\$ -	\$ -	\$ 146,138
Buildings	751,136	-	-	751,136
Equipment	995,503	38,055	38,937	994,621
LCDBG Project	444,216	184,577	628,793	-
Total General Fixed Assets	<u>\$ 2,336,993</u>	<u>\$ 222,632</u>	<u>\$ 667,730</u>	<u>\$ 1,891,895</u>

A summary of proprietary fund type property, plant and equipment at December 31, 2001, follows:

Description	Life In Years	Cost	Accumulated Depreciation	Net	Depreciation This Year
Land		\$ 11,000	\$ -	\$ 11,000	\$ -
Buildings	33.3	35,898	25,959	9,939	1,747
Water System	Var.	1,592,896	711,161	881,735	43,688
Sewer System	Var.	3,552,390	1,307,143	2,245,247	123,081
Natural Gas System	Var.	788,250	514,492	273,758	14,890
Equipment	Var.	177,681	173,147	4,534	6,552
Computer System	7.0	9,879	8,514	1,365	241
Total		<u>\$ 6,167,994</u>	<u>\$ 2,740,416</u>	<u>\$ 3,427,578</u>	<u>\$ 190,199</u>

Description	Cost	Accumulated Depreciation	Net
Changes During the Year:			
Balance, Beginning of Year	\$ 5,507,297	\$ (2,550,217)	\$ 2,957,080
Addition	660,697	-	660,697
Deletions	-	-	-
Depreciation, Current	-	(190,199)	(190,199)
Balance, End of Year	<u>\$ 6,167,994</u>	<u>\$ (2,740,416)</u>	<u>\$ 3,427,578</u>

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

10. Changes in Long-Term Debt

The following is a summary of note transactions of the Town of Kentwood for the year ended December 31, 2001:

	<u>Utility Revenue</u>
Notes Payable, January 1, 2001	\$ 839,011
Notes Retired	<u>(10,104)</u>
Notes Payable, December 31, 2001	<u>\$ 828,907</u>

Bonds payable at December 31, 2001, are comprised of the following individual issues:

Revenue Bonds Payable:

\$910,000 Sewer Revenue Bonds sold to Rural Utilities Service, dated
6/01/92; due in monthly installments of \$4,431.70 starting July 1, 1993 through
June 1, 2033; interest at 5%

\$ 828,907

The annual requirements to amortize all debt outstanding as of December 31, 2001, including interest payments of \$786,220 follows:

<u>Year Ending December 31,</u>	<u>1992 Revenue</u>	<u>Total</u>
2002	\$ 53,180	\$ 53,180
2003	53,181	53,181
2004	53,180	53,180
2005	53,181	53,181
2006	53,180	53,180
2007-2011	265,902	265,902
2012-2016	265,902	265,902
2017-2021	265,902	265,902
2022-2026	265,902	265,902
2027-2031	265,902	265,902
2032	19,715	19,715
	<u>\$ 1,615,127</u>	<u>\$ 1,615,127</u>

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

11. Flow of Funds, Restrictions on Use 1992 RUS Sewer Revenue Bonds

The governing authority of the Town adopted a resolution on June 18, 1991, authorizing issuance of \$910,000 of Sewer Revenue Bonds. On June 1, 1992, the Town sold the \$910,000 authorized bonds to USDA Rural Development (RUS). The bonds were issued for forty (40) years payable with interest at the rate of five percent (5%) per annum. The bonds and any installment may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds are restricted and are subject to the provisions of the above resolution adopted June 18, 1991. As of December 31, 1993, USDA Rural Development had advanced all of the bond proceeds to the Town.

Under the terms of the bond proceeds to the Town, the bonds are payable as to principal and interest solely from the income and revenues derived from the operation of the utility system of the Town after provision has been made for payment of the reasonable and necessary expenses of administering, operating and maintaining of the system. The bonds do not constitute an indebtedness or pledge of the general credit of the Town within the meaning of any constitutional or statutory limitation of indebtedness.

The Town has established monthly sewer service charges as follows:

Residential	\$ 20	Nursing Home	\$625
Commercial	\$ 40	Industrial	\$0.95 per thousand gallons
Schools	\$250		

Each month there will be set aside into a fund called "Bond and Interest Sinking (Redemption) Fund" a sum equal to one-twelfth (1/12) of the interest due on the next interest payment due and, in addition, a sum equal to one-twelfth (1/12) of the next principal payment due, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the sinking funds shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. Alternately, RUS has set up a payment schedule of \$4,432 per month whereby the Town makes payments directly to its office. This eliminates the need of the "Bond and Interest Sinking Fund".

There shall also be set aside into "Utility System Revenue Bond Reserve Fund" a sum equal to 5% of the monthly bond payment after the construction becomes revenue producing until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund as to which there would otherwise be default. As of December 31, 2001, the Town has accumulated \$29,486 in this account.

Funds will also be set into a "Depreciation and Contingency Fund" after completion of the project at the rate of \$250 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in the other bond funds. As of December 31, 2001, the "Depreciation and Contingency Fund" reserve had a balance of \$33,636.

All the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

12. Contributions

At December 31, 2001, the following contributions toward the cost of the utility plant and engineering services had been received.

U. S. Government - HHFA	\$ 2,441
Mississippi Federated Corp.; Arcola, LA	4,138
U. S. Government - Department of Interior and Environmental Protection Agency	39,559
Town of Kentwood - Original Sewerage System	15,269
Antirecession Fiscal Assistance Fund	15,665
U. S. Government - 1975 Community Development Block Grant Program	74,610
U. S. Government - 1976 Community Development Block Grant Program	89,800
U. S. Government - 1977 Community Development Block Grant Program	250,000
Special Revenue Fund - Federal Revenue Sharing	60,036
U. S. Government - Department of Interior and Environmental Protection Agency (Step I Grant)	65,657
U. S. Government - 1981 Community Development Block Grant Program	411,387
William A. Tyner - Engineering Fees (EPA Step I Sewer Project)	3,806
U. S. Department of Commerce, Economic Development Administration (EDA)	118,175
Kentwood Spring Water, Inc.	29,544
American Spring Water	2,060
Town of Kentwood	202
State of La - Rural Development Grant	25,000
RUS Sewerage Grant	324,001
LA Dept of Transportation & Development	159,555
U. S. Government - 1991 Louisiana Community Development Block Grant Program	581,382
U. S. Department of HUD - 1996 LCDBG	599,700
U. S. Department of HUD - 1999 LCDBG	628,793
Westmoreland Extension	4,966
Total Contributions	<u>3,505,746</u>
Less: Accumulated Amortization	<u>1,067,690</u>
Net Contributions	<u><u>\$2,438,056</u></u>

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

13. Kentwood Volunteer Fire Department - Revenues

2% Fire Insurance Tax

The Town maintains an active certified volunteer fire department as defined by Louisiana R.S. 22:1580 and is eligible and receives a pro-rata share of the fire insurance tax collected by the state. The amounts received by the fire department are based on the population in the Town and unincorporated area that it serves. In accordance with the Revised Statutes, such money shall be used only for the purpose of "rendering more efficient and efficacious" the active volunteer fire department as the Town shall direct.

Maintenance Allowance From Rural Fire District #2 of Tangipahoa Parish

The fire department receives a quarterly allowance from the Tangipahoa Parish Council funded through a property tax millage on assessed property located outside the incorporated area of the Town but within the service area of the Kentwood Volunteer Fire Department. These funds are to be used to help maintain equipment and supplies of the department.

The activity of this department is reported in the Special Revenue Funds section of this financial report.

14. HUD Section 8 Housing Assistance Payment Program

On November 1, 1978, the Town of Kentwood, acting as the Public Housing Agency (PHA) passed a resolution authorizing execution of an annual contributions contract under the Section 8 Housing Assistance Payments Program with the U.S. Department of Housing and Urban Development.

For the fiscal year ended December 31, 2001, the Town's PHA was authorized for fifty-five (55) housing units with a HUD contribution of \$148,722.

The Housing Assistance Payments Program provides rental subsidies for qualified low and very low income families who reside within the Town's corporate limits. The Town's Public Housing Agency administers the program.

The HUD Section 8 Housing Assistance Payments Program is reported in the Enterprise Fund section of this financial report.

15. Pension Plan

Substantially all employees of the Town of Kentwood are members of the following statewide retirement: Municipal Employees Retirement System of Louisiana; Municipal Police Employees Retirement System of Louisiana; or Firefighters Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
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A. Municipal Employees Retirement System of Louisiana(System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Town of Kentwood are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 per cent of their final-average monthly salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 60, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 per cent of final-average salary. Final average salary is the employee's average salary over 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 2.75 percent of annual covered payroll. Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each municipality, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System under Plan B for the years ended December 31, 2001, 2000, and 1999 were \$9,131, \$8,801 and \$8,503, respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered salary. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town's contributions to the System for the years ending December 31, 2001, 2000, and 1999, were \$8,581, \$6,295 and \$8,364, respectively, equal to the required contributions for each year.

C. Firefighters Retirement System of Louisiana

Plan Description. Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service, not to exceed 100 per cent of their final-average salary. Final-average salary is the employee's average salary over 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Firefighters' Retirement System Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered salary. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town's contributions to the System for the years ending December 31, 2001, 2000, and 1999, were \$1,115, \$863, and \$1,544, respectively, equal to the required contributions for each year.

Town of Kentwood
NOTES TO FINANCIAL STATEMENTS
(Continued)
December 31, 2001

16. Litigation

There is no outstanding litigation as of December 31, 2001.

17. On-Behalf Payments for Fringe Benefits and Salaries

During the year ended December 31, 2001, the Town's police and firemen received supplemental pay from the State of Louisiana in the amount of \$29,340.

18. Construction Commitment

On May 18, 2001, the Town was chosen as a recipient of water for fire protection improvement funds under the FY 2001 Louisiana Community Development Block Grant (LCDBG) Program. The Office of Community Development within the Division of Administration has recommended a grant award of \$418,471 for the project. As of December 31, 2001, the Town has spent \$33,453 on this project for engineering fees. Bids for the project were received by December 6, 2001. The project was awarded to the lowest bidder for \$299,102 on January 3, 2002.

On April 11, 2002, the Town dedicated \$33,500 for a sewer extension project. This project will be paid by surplus funds available within the sewer utility fund.

**FINANCIAL STATEMENTS
OF INDIVIDUAL FUNDS
AND ACCOUNT GROUPS**

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Town of Kentwood

Schedule 1

General Fund

BALANCE SHEET

December 31, 2001

	<u>2001</u>
ASSETS	
Cash	\$ 617,097
Cash - Restricted	405,030
Taxes Receivable:	
Ad Valorem Tax	22,878
Public Utility Franchise Tax	17,902
Due From Other Funds	-
Due From Other Governments:	
State of Louisiana Beer Tax	4,637
Tangipahoa Parish School Board Sales Tax	15,188
Other Receivables	<u>9,721</u>
Total Assets	\$ <u>1,092,453</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 36,803
Other Accrued Expenses:	
Salaries, Wages, and Vacation Pay	25,844
Due To Other Funds	790
Deferred Revenue	<u>8,585</u>
Total Liabilities	<u>72,022</u>
 Fund Balance:	
Reserved	405,030
Unreserved - Undesignated	<u>615,401</u>
Total Fund Balance	<u>1,020,431</u>
 Total Liabilities and Fund Balance	\$ <u>1,092,453</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 2

General Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 2001

	2001		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes:			
Sales (Less Vendors' Comp.)	\$ 524,000	\$ 529,348	\$ 5,348
Ad Valorem	56,300	58,788	2,488
Public Utility Franchise	43,100	40,783	(2,317)
Chain Store	520	522	2
Licenses and Permits:			
Business Privilege and Insurance Licenses	111,000	115,090	4,090
Building Permits	3,200	3,461	261
Intergovernmental:			
Federal:			
COPS Block Grant	-	3,608	3,608
State of Louisiana:			
Beer Tax	8,400	9,275	875
Sweet Home Tourism Grant	-	2,167	2,167
Sweet Home Folklife Festival Grant	3,197	3,197	-
Rural Development Grant	12,500	12,500	-
Commission on Law Enforcement	3,735	3,735	-
Local Governments			
Fire District No. 2	4,400	4,579	179
Charges for Services	16,675	17,725	1,050
Fines and Forfeits	16,000	14,806	(1,194)
Miscellaneous:			
Interest Earned	34,000	37,388	3,388
Sanitation Fees	104,000	103,980	(20)
Rent	4,200	4,200	-
Other	4,650	8,052	3,402
Total Revenues	949,877	973,204	23,327

Continued on the following page.

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 2
(Continued)

General Fund
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 2001

	2001		Variance
	Budget	Actual	Favorable (Unfavorable)
Expenditures			
General and Administrative	\$ 324,640	\$ 304,103	\$ 20,537
Public Safety:			
Police Department	377,600	359,335	18,265
Fire Protection	114,770	107,916	6,854
Streets & Sanitation	412,680	400,958	11,722
Health:			
Dog Control	6,370	6,161	209
Cultural:			
Museum	8,700	8,759	(59)
Total Expenditures	<u>1,244,760</u>	<u>1,187,232</u>	<u>57,528</u>
Excess of Revenues (Expenditures)	<u>(294,883)</u>	<u>(214,028)</u>	<u>80,855</u>
Other Financing Sources (Uses)			
Sale of Fixed Assets	12,360	12,541	181
Operating Transfer In:			
Enterprise Fund	290,000	290,000	-
Operating Transfer Out:			
Special Revenue Fund	(9,000)	(8,130)	870
Total Other Financing Sources (Uses)	<u>293,360</u>	<u>294,411</u>	<u>1,051</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and other Financing Uses	<u>(1,523)</u>	<u>80,383</u>	<u>81,906</u>
Fund Balance, Beginning of Year	<u>940,048</u>	<u>940,048</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 938,525</u>	<u>\$ 1,020,431</u>	<u>\$ 81,906</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 3

General Fund
SCHEDULE OF EXPENDITURES,
COMPARED TO BUDGET (GAAP BASIS)
Year Ended December 31, 2001

	2001		Variance
	Budget	Actual	Favorable (Unfavorable)
General and Administrative			
Salaries - Mayor and Aldermen	\$ 31,220	\$ 31,220	\$ -
Salaries - Clerical	68,800	65,027	3,773
Salaries - Janitorial	10,500	10,537	(37)
Payroll Tax (all General Fund Departments)	7,900	7,896	4
Municipal Employees Retirement Expense	3,600	3,600	-
Hospitalization Insurance (all General Fund Departments)	27,300	26,640	660
Workman's Compensation	1,300	1,280	20
Mayor's Expense	1,000	950	50
Officials' Travel	1,900	1,422	478
City Hall Utilities	18,000	17,294	706
Civic Center Utilities	4,500	4,158	342
Senior Citizens Building Utilities	4,500	3,777	723
Martin Luther King Park Utilities	1,200	1,068	132
Maintenance Building Utilities	3,400	3,442	(42)
Museum Utilities	3,500	2,903	597
City Hall Maintenance	5,000	4,646	354
Civic Center Maintenance	3,600	3,649	(49)
Senior Citizens Building Maintenance	1,100	809	291
Martin Luther King Park Maintenance	2,500	2,464	36
Maintenance Building Maintenance	500	64	436
Museum Maintenance	1,000	1,124	(124)
Meeting Expense	600	309	291
Professional Services	28,000	22,277	5,723
Computer Expense	4,500	3,829	671
Official Journal and Other Advertising	3,500	2,503	997
Office Supplies & Postage	5,000	4,088	912
Insurance (all General Fund Departments)	28,000	26,473	1,527
Uniforms	2,600	1,047	1,553
Dues & Subscriptions	1,000	1,691	(691)
Assessor Tax Roll	1,900	1,876	24
Coroner's Fees	3,200	2,801	399
Promotion Expense	10,500	5,559	4,941
Community Development	2,000	511	1,489
Shared Cost of Public Service Program	3,120	3,120	-
Zoning Committee - Per Diem	300	100	200
Recreation Program	5,600	5,555	45
Sweet Home	3,500	3,600	(100)
Miscellaneous	8,000	9,061	(1,061)
Capital Outlay - Purchase of Fixed Assets	11,000	15,733	(4,733)
Total General & Administrative	324,640	304,103	20,537

Continued on the following page.

The accompanying notes are an integral part of this statement.

Town of Kentwood

**Schedule 3
(Continued)**

**General Fund
SCHEDULE OF EXPENDITURES,
COMPARED TO BUDGET (GAAP BASIS)
Year Ended December 31, 2001**

	2001		Variance
	Budget	Actual	Favorable (Unfavorable)
Public Safety			
Police Department:			
Salaries - Chief	\$ 28,200	\$ 28,915	\$ (715)
Salaries - Deputies	175,000	175,185	(185)
Payroll Taxes	16,600	16,344	256
Police Retirement Contributions	8,700	8,581	119
Health Insurance	55,000	50,186	4,814
Workman's Compensation	11,000	10,019	981
Office Expense	3,000	1,747	1,253
Computer Expense	3,500	651	2,849
Telephone	5,500	5,398	102
Dues & Subscriptions	600	490	110
Auto - Fuel	17,000	16,780	220
Auto - Repairs & Maintenance	18,000	12,246	5,754
Housing Prisoners	2,000	1,080	920
Supplies	6,000	6,483	(483)
Uniforms	2,500	1,244	1,256
Schools & Seminars	1,000	898	102
Special Fund	1,000	500	500
Miscellaneous	1,000	894	106
Capital Outlay - Purchase of Fixed Assets	22,000	21,694	306
Total Police Department	377,600	359,335	18,265
Fire Protection:			
Firemen Salaries	72,000	72,776	(776)
Payroll Taxes	5,720	5,400	320
Firemen Retirement Contributions	1,200	1,115	85
Health Insurance	13,150	11,766	1,384
Workman's Compensation	5,200	5,123	77
Telephone	4,000	3,818	182
Computer Expense	1,000	244	756
Truck - Fuel	2,500	2,202	298
Truck - Repairs & Maintenance	5,000	1,814	3,186
Miscellaneous	2,500	1,357	1,143
Capital Outlay - Purchase of Fixed Assets	2,500	2,301	199
Total Fire Department	114,770	107,916	6,854

Continued on the following page.

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 3
(Continued)

General Fund
SCHEDULE OF EXPENDITURES,
COMPARED TO BUDGET (GAAP BASIS)
Year Ended December 31, 2001

	2001		Variance
	Budget	Actual	Favorable (Unfavorable)
Streets and Sanitation			
Salaries and Wages	\$ 32,000	\$ 31,844	\$ 156
Payroll Taxes	2,560	2,482	78
Health Insurance	500	-	500
Workman's Compensation	4,900	4,379	521
Waste Management	226,000	223,295	2,705
Street Materials & Supplies	5,000	4,439	561
Computer Expense	500	244	256
Equipment Fuel	5,200	5,087	113
Repairs & Maintenance	10,000	8,872	1,128
Uniforms	800	686	114
Miscellaneous	5,000	5,198	(198)
Street and Traffic Lights	40,000	37,483	2,517
Tree Maintenance Program	30,000	29,740	260
Maintenance Contract	20,000	19,140	860
Rural Development Grant	15,000	14,806	194
Cemetery Utilities	120	119	1
Cemetery Miscellaneous	100	-	100
Cemetery Maintenance Contract	14,000	12,515	1,485
Street & Cemetery Capital Outlay	1,000	629	371
Total Streets and Sanitation	412,680	400,958	11,722
Health			
Dog Control:			
Salaries	4,420	4,440	(20)
Payroll Taxes	350	347	3
Workman's Compensation	100	98	2
Other Expenses	1,500	1,276	224
Total Health	6,370	6,161	209
Cultural			
Museum:			
Salaries	8,000	8,071	(71)
Payroll Taxes	640	631	9
Workman's Compensation	60	57	3
Total Health	8,700	8,759	(59)
Total Expenditures	\$ 1,244,760	\$ 1,187,232	\$ 57,528

(Concluded)

The accompanying notes are an integral part of this statement.

SPECIAL REVENUE FUNDS

Kentwood Volunteer Fire Department - To account for the receipt and use of 2% fire insurance tax as defined by Louisiana R.S.22:1580 and a maintenance allowance from Rural Fire District #2 of Tangipahoa Parish.

Town of Kentwood

Schedule 4

**Special Revenue Fund
Kentwood Volunteer Fire Department**

**BALANCE SHEET
December 31, 2001**

Assets

Cash	\$ 562,711
Due From Other Funds	650
Due From Other Governments:	
Tangipahoa Parish Council -	
Maintenance Allowance	29,989
Other Assets	<u>264</u>
Total Assets	\$ <u>593,614</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	\$ <u>1,972</u>
Total Liabilities	<u>1,972</u>

Fund Balance:

Unreserved - Undesignated	<u>591,642</u>
Total Liabilities and Fund Balance	\$ <u>593,614</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 5

**Special Revenue Fund
Kentwood Volunteer Fire Department
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 2001**

	<u>2001</u>		<u>Variance- Favorable (Unfavorable)</u>	
	<u>Budget</u>	<u>Actual</u>		
Revenues				
Intergovernmental:				
Fire Insurance Tax -				
Town of Kentwood	\$ 5,800	\$ 5,805	\$ 5	
Tangipahoa Parish	7,175	7,174	(1)	
St. Helena Parish	2,300	2,323	23	
From Rural Fire Maintenance Allowance				
District #2 of Tangipahoa Parish	200,000	204,243	4,243	
Miscellaneous - Interest Earned	<u>3,400</u>	<u>9,572</u>	<u>6,172</u>	
Total Revenues	<u>218,675</u>	<u>229,117</u>	<u>10,442</u>	
Expenditures				
Current:				
Salaries - Chief	3,000	3,000	-	
Salaries - Firemen	3,000	-	3,000	
Firemen Expense	27,500	21,335	6,165	
Small Tools, Equipment, and Hoses	18,000	15,927	2,073	
Uniforms	2,500	-	2,500	
Office Supplies	1,200	560	640	
Gas & Oil Station #2	1,000	901	99	
Dues and Subscriptions	400	350	50	
Professional Services	2,000	1,400	600	
Insurance	26,000	16,710	9,290	
Repairs	11,000	12,983	(1,983)	
Supplies	2,000	1,966	34	
Training and Tuition	1,800	2,049	(249)	
Utilities and Telephone	1,500	1,071	429	
Miscellaneous	<u>2,500</u>	<u>-</u>	<u>2,500</u>	
Total Current Expenditures	<u>103,400</u>	<u>78,252</u>	<u>25,148</u>	
Capital Outlays:				
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	
Total Capital Outlays	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenditures	<u>103,400</u>	<u>78,252</u>	<u>25,148</u>	

Continued on the following page

The accompanying notes are an integral part of this statement.

Town of Kentwood

**Schedule 5
(Continued)**

**Special Revenue Fund
Kentwood Volunteer Fire Department
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year Ended December 31, 2001**

	2001		Variance- Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Excess of Revenues (Expenditures)	\$ <u>115,275</u>	\$ <u>150,865</u>	\$ <u>35,590</u>
Other Financing Sources (Uses)			
Operating Transfer In - General Fund	<u>9,000</u>	<u>8,130</u>	<u>(870)</u>
 Total Other Financing Sources (Uses)	<u>9,000</u>	<u>8,130</u>	<u>(870)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	124,275	158,995	34,720
Fund Balance, Beginning of Year	<u>432,647</u>	<u>432,647</u>	<u>-</u>
Fund Balance, End of Year	\$ <u><u>556,922</u></u>	\$ <u><u>591,642</u></u>	\$ <u><u>34,720</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

ENTERPRISE FUND

Public Housing Fund - To account for the Town's Housing Fund's administration of its contract with HUD under the Section 8 Housing Assistance Payments that provides rental subsidies for qualified low and very low income families who reside within the Town's corporate limits.

Water, Sewer and Gas Fund - To account for the provision of water, sewer, and natural gas services to customers and residents of the town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Town of Kentwood

Schedule 6

Enterprise Funds
COMBINING BALANCE SHEET
December 31, 2001

ASSETS	Housing Assistance Section 8	Utility Fund	Total
Current Assets:			
Cash	\$ 21,738	\$ 580,745	\$ 602,483
Receivables:			
Accounts (Net of Allowance for Uncollectible)	-	181,918	181,918
Inventory	-	20,044	20,044
Due From General Fund	140	-	140
Total Current Assets	21,878	782,707	804,585
Restricted Assets:			
RUS Bond Reserve - Cash	-	29,486	29,486
Contingency - Cash	-	194,689	194,689
RUS Bond Contingency - Cash	-	33,636	33,636
Customers' Deposits - Cash	-	87,961	87,961
Total Restricted Assets	-	345,772	345,772
Property, Plant and Equipment:			
Land	-	11,000	11,000
Building	-	35,898	35,898
Water System	-	1,592,896	1,592,896
Gas System	-	788,250	788,250
Sewer System	-	3,552,390	3,552,390
Computer System	-	9,879	9,879
Equipment	10,741	166,940	177,681
Total Property, Plant and Equipment	10,741	6,157,253	6,167,994
Less: Accumulated Depreciation	(10,741)	(2,729,675)	(2,740,416)
Net Property, Plant and Equipment	-	3,427,578	3,427,578
Total Assets	\$ 21,878	\$ 4,556,057	\$ 4,577,935

Continued on the following page

The accompanying notes are an integral part of this statement.

Town of Kentwood

**Schedule 6
(Continued)**

**Enterprise Fund
COMBINING BALANCE SHEET
December 31, 2001**

LIABILITIES AND FUND EQUITY	Housing Assistance Section 8	Utility Fund	Total
Liabilities:			
Current Liabilities (Payable From Current Assets):			
Accounts Payable	\$ -	\$ 65,582	\$ 65,582
Due to General Fund	-	-	-
Due to HUD	951	-	951
Accrued Vacation Payable	-	4,747	4,747
Accrued Salaries Payable	-	4,203	4,203
Total Current Liabilities (Payable From Current Assets)	951	74,532	75,483
Current Liabilities (Payable From Restricted Assets):			
Customers' Deposits	-	80,048	80,048
Revenue Bond Payable - RUS	-	10,500	10,500
Total Current Liabilities (Payable From Restricted Assets)	-	90,548	90,548
Long-Term Liabilities:			
Revenue Bonds Payable - RUS	-	818,407	818,407
Total Long-Term Liabilities	-	818,407	818,407
Total Liabilities	951	983,487	984,438
Fund Equity:			
Contributed Capital	-	3,505,746	3,505,746
Less: Accumulated Amortization	-	(1,067,690)	(1,067,690)
Net Contributed Capital	-	2,438,056	2,438,056
Retained Earnings:			
Reserve for Contingencies	-	228,325	228,325
Reserve for Bond Payments	-	29,486	29,486
Unreserved	20,927	876,703	897,630
Total Retained Earnings	20,927	1,134,514	1,155,441
Total Fund Equity	20,927	3,572,570	3,593,497
Total Liabilities and Fund Equity	\$ 21,878	\$ 4,556,057	\$ 4,577,935

(Concluded)

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 7

Enterprise Fund

**COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN UNRESERVED RETAINED EARNINGS
Year Ended December 31, 2001**

	<u>Housing Assistance Section 8</u>	<u>Utility Fund</u>	<u>Total</u>
Operating Revenues			
Charges for Services:			
Water Sales	\$ -	\$ 300,154	\$ 300,154
Sewer Charges	-	253,806	253,806
Gross Profit on Gas Sales	-	294,579	294,579
Service Connections	-	3,527	3,527
Delinquent Charges	-	41,610	41,610
Other Revenues	825	7,449	8,274
Intergovernmental:			
Contributions Received From HUD	<u>148,722</u>	<u>-</u>	<u>148,722</u>
Total Operating Revenues	<u>149,547</u>	<u>901,125</u>	<u>1,050,672</u>
Operating Expenses			
Salaries and Wages	11,220	155,838	167,058
Payroll Taxes	938	11,471	12,409
Municipal Employees' Retirement Expense	-	5,531	5,531
Health Insurance	-	21,367	21,367
Workers' Comp. Insurance	-	4,843	4,843
Office Expense	4,121	2,449	6,570
Computer Expense	-	620	620
Professional Services	2,760	23,993	26,753
Repairs and Maintenance	-	62,056	62,056
Equipment Fuel	-	7,361	7,361
Equipment Repairs & Maintenance	-	26,564	26,564
Insurance	-	15,272	15,272
Electricity	-	60,142	60,142
Cash Short (Over)	-	(171)	(171)
Miscellaneous	-	9,627	9,627
Uniforms	-	1,785	1,785
Water Treatment Supplies	-	47,717	47,717
Fees	-	7,780	7,780
Gas Meter Reading	-	4,034	4,034
DOT Drug Testing	-	933	933
Gas Operator Certification	-	1,620	1,620
Housing Assistance Payments	116,837	-	116,837
Utility Allowances	10,119	-	10,119
Depreciation	<u>-</u>	<u>190,199</u>	<u>190,199</u>
Total Operating Expenses	<u>145,995</u>	<u>661,031</u>	<u>807,026</u>

Continued on the following page

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 7
(Continued)

Enterprise Fund

**COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN UNRESERVED RETAINED EARNINGS
Year Ended December 31, 2001**

	Housing Assistance Section 8	Utility Fund	Total
Net Operating Income	\$ 3,552	\$ 240,094	\$ 243,646
Nonoperating Revenues (Expenses)			
Entergy Refund	-	46,138	46,138
Interest Income	-	35,486	35,486
Bad Debt Recovery	-	2,854	2,854
Interest Expense	-	(43,078)	(43,078)
Bad Debt Expense	-	(3,931)	(3,931)
Total Nonoperating Revenues (Expenses)	-	37,469	37,469
Net Income Before Operating Transfers	3,552	277,563	281,115
Operating Transfers In (Out)			
Operating Transfers In	-	-	-
Operating Transfers Out	-	(290,000)	(290,000)
Total Operating Transfers In (Out)	-	(290,000)	(290,000)
Net Income (Loss)	3,552	(12,437)	(8,885)
Unreserved Retained Earnings, Beginning of Year	17,375	820,109	837,484
Add: Amortization on Contributed Capital	-	108,342	108,342
Less: Increase in Reserved Retained Earnings	-	(39,311)	(39,311)
Unreserved Retained Earnings, End of Year	\$ 20,927	\$ 876,703	\$ 897,630

(Concluded)

Continued on the following page

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 8

Enterprise Funds

COMBINING SCHEDULE OF CASH FLOWS
Year Ended December 31, 2001

Reconciliation of operating income to net cash provided by operating activities:

Operating income		\$ 243,646
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	190,199	
Change in accounts receivable	127,377	
Change in inventory	(20,044)	
Change in due to/from other funds	(1,640)	
Change in due to others	(12,490)	
Change in accounts payable	(75,275)	
Change in accrued payables	(210)	
Change in customer deposits payable	2,322	
Change in accrued interest payable	<u>-</u>	
Total adjustments		<u>210,239</u>
Net cash provided by operating activities		453,885

Cash flows from capital and related financing activities:

Interest income	35,486	
Repayment of RUS bonds	(10,104)	
Payment for capital acquisitions	(660,697)	
Interest paid	(43,078)	
Capital contributions	<u>628,793</u>	
Net cash used for capital and related financing activities		(49,600)

Cash flows from noncapital financing activities:

Operating transfers to other funds	(290,000)	
Entergy refund	46,138	
Bad debt recoveries	2,854	
Bad debt expense	<u>(3,931)</u>	
Net cash used from noncapital financing activities		<u>(244,939)</u>

Net increase in cash and cash equivalents	159,346
Cash and cash equivalents, beginning of year	<u>788,909</u>
Cash and cash equivalents, end of year	<u>\$ 948,255</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 9

Enterprise Fund

Public Housing Fund

HUD Section 8 Housing Assistance Payments Program

BALANCE SHEET

Year Ended December 31, 2001

Assets

Current Assets:

Cash	\$ 21,738
Due From General Fund	<u>140</u>

Total Current Assets	<u>21,878</u>
----------------------	---------------

Property, Plant and Equipment:

Equipment	<u>10,741</u>
-----------	---------------

Total Property, Plant and Equipment	10,741
Less: Accumulated Depreciation	<u>(10,741)</u>

Net Property, Plant and Equipment	<u>-</u>
-----------------------------------	----------

Total Assets	\$ <u>21,878</u>
---------------------	-------------------------

LIABILITIES AND FUND EQUITY

Liabilities:

Current Liabilities:

Due to HUD	\$ <u>951</u>
------------	---------------

Total Current Liabilities	<u>951</u>
---------------------------	------------

Fund Equity:

Retained Earnings - Unreserved	<u>20,927</u>
--------------------------------	---------------

Total Liabilities and Fund Balance	\$ <u>21,878</u>
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The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 10

**Enterprise Fund
Public Housing Fund
HUD Section 8 Housing Assistance Payments Program
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN UNRESERVED RETAINED EARNINGS
(BUDGET AND ACTUAL)
Year Ended December 31, 2001**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental:			
Contributions Received From HUD	\$ 144,405	\$ 148,722	\$ 4,317
Miscellaneous-Interest Earned	<u>871</u>	<u>825</u>	<u>(46)</u>
Total Revenues	<u>145,276</u>	<u>149,547</u>	<u>4,271</u>
Expenditures			
General and Administrative:			
Administrative Salaries	11,220	11,220	-
Payroll Taxes	996	938	58
Office Expense	3,975	4,121	(146)
Accounting & Audit Fee	2,760	2,760	-
Housing Assistance Payments	112,769	116,837	(4,068)
Utility Allowances	<u>11,388</u>	<u>10,119</u>	<u>1,269</u>
Total Expenditures	<u>143,108</u>	<u>145,995</u>	<u>(2,887)</u>
Excess of Revenues (Expenditures)	2,168	3,552	1,384
Unreserved Retained Earnings, Beginning of Year	<u>17,375</u>	<u>17,375</u>	<u>-</u>
Unreserved Retained Earnings, End of Year	<u>\$ 19,543</u>	<u>\$ 20,927</u>	<u>\$ 1,384</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 11

Enterprise Fund

Public Housing Fund

HUD Section 8 Housing Assistance Payments Program

SCHEDULE OF CASH FLOWS-

Year Ended December 31, 2001

**Reconciliation of operating income to net
cash provided by operating activities:**

Operating income (loss)	\$ 3,552
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in due to other funds	\$ (1,500)
Change in due from other funds	(140)
Change in deferred revenue	(12,449)
Change in due to HUD	<u>(42)</u>
Total adjustments	<u>(14,131)</u>
Net cash provided by operating activities	<u>(10,579)</u>
Net increase (decrease) in cash and cash equivalents	(10,579)
Cash and cash equivalents, beginning of year	<u>32,317</u>
Cash and cash equivalents, end of year	\$ <u><u>21,738</u></u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 12

**Enterprise Funds
Water, Sewer and Gas Departments
COMPARATIVE BALANCE SHEET
December 2001 and 2000**

ASSETS

Current Assets:

Cash

	<u>2001</u>		<u>2000</u>
\$	580,745	\$	454,617

Receivables:

Accounts (Net of Allowance for
Uncollectible)

181,918	309,295
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Inventory

<u>20,044</u>	<u>-</u>
---------------	----------

Total Current Assets

<u>782,707</u>	<u>763,912</u>
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Restricted Assets:

RUS Bond Reserve - Cash

29,486	25,678
--------	--------

Contingency - Cash

194,689	163,492
---------	---------

RUS Bond Contingency - Cash

33,636	29,330
--------	--------

Customers' Deposits - Cash

<u>87,961</u>	<u>83,476</u>
---------------	---------------

Total Restricted Assets

<u>345,772</u>	<u>301,976</u>
----------------	----------------

Property, Plant and Equipment:

Land

11,000	11,000
--------	--------

Building

35,898	35,898
--------	--------

Water System

1,592,896	1,592,896
-----------	-----------

Gas System

788,250	788,250
---------	---------

Sewer System

3,552,390	2,893,079
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Computer System

9,879	9,878
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Equipment

<u>166,940</u>	<u>165,555</u>
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Total Property, Plant and Equipment

6,157,253	5,496,556
-----------	-----------

Less: Accumulated Depreciation

<u>(2,729,675)</u>	<u>(2,539,476)</u>
--------------------	--------------------

Net Property, Plant and Equipment

<u>3,427,578</u>	<u>2,957,080</u>
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Total Assets

\$	<u><u>4,556,057</u></u>	\$	<u><u>4,022,968</u></u>
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Continued on the following page

The accompanying notes are an integral part of this statement.

Town of Kentwood

**Schedule 12
(Continued)**

**Enterprise Fund
Water, Sewer and Gas Departments
COMPARATIVE BALANCE SHEET
December 2001 and 2000**

LIABILITIES AND FUND EQUITY

Liabilities:

Current Liabilities (Payable From Current Assets):

	2001	2000
Accounts Payable	\$ 65,582	\$ 140,857
Accrued Vacation Payable	4,747	6,651
Accrued Salaries Payable	4,203	2,509

Total Current Liabilities (Payable From Current Assets)	74,532	150,017
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Current Liabilities (Payable From Restricted Assets):

Customers' Deposits	80,048	77,726
Revenue Bond Payable - RUS	10,500	10,394

Total Current Liabilities (Payable From Restricted Assets)	90,548	88,120
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Long-Term Liabilities:

Revenue Bonds Payable - RUS	818,407	828,617
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Total Long-Term Liabilities	818,407	828,617
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Total Liabilities	983,487	1,066,754
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Fund Equity:

Contributed Capital	3,505,746	2,876,953
Less: Accumulated Amortization	(1,067,690)	(959,348)

Net Contributed Capital	2,438,056	1,917,605
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Retained Earnings:

Reserve for Contingencies	228,325	192,822
Reserve for Bond Payments	29,486	25,678
Unreserved	876,703	820,109

Total Retained Earnings	1,134,514	1,038,609
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Total Fund Equity	3,572,570	2,956,214
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Total Liabilities and Fund Equity	\$ 4,556,057	\$ 4,022,968
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(Concluded)

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 13

Enterprise Funds
Water, Sewer and Gas Departments
**COMPARATIVE SCHEDULE OF CHANGES IN
UNRESERVED RETAINED EARNINGS**
Years ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Net Income (Loss) for the Year:		
Water Department	\$ (75,482)	\$ (72,078)
Sewer Department	81,793	22,190
Gas Department	<u>(18,748)</u>	<u>(4,283)</u>
Total Net Income (Loss) of Combined Operations	(12,437)	(54,171)
Add: Amortization on Contributed Capital	108,342	93,017
Less: Appropriations for RUS Reserves	(39,311)	(39,841)
Unreserved Retained Earnings, Beginning of Year	<u>820,109</u>	<u>821,104</u>
Unreserved Retained Earnings, End of Year	\$ <u><u>876,703</u></u>	\$ <u><u>820,109</u></u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 14

**Enterprise Fund
Water Department**

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL

Year Ended December 31, 2001

And Actual for the Year Ended December 31, 2000

	2001			2000
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Operating Revenues				
Charges for Services:				
Water Sales	\$ 313,500	\$ 300,154	\$ (13,346)	\$ 259,706
Service Connections	2,800	2,559	(241)	1,846
Delinquent Charges	20,000	20,805	805	17,213
Safe Drinking Water Fee	3,300	3,578	278	2,302
Other Revenues	3,200	3,112	(88)	3,704
Total Operating Revenues	<u>342,800</u>	<u>330,208</u>	<u>(12,592)</u>	<u>284,771</u>
Operating Expenses				
Salaries and Wages	62,000	60,771	1,229	62,237
Payroll Taxes	4,920	4,635	285	4,594
Municipal Employees' Retirement Expense	2,100	2,051	49	2,073
Health Insurance	2,600	2,307	293	6,142
Workers' Comp. Insurance	2,200	2,165	35	2,112
Office Expense	1,000	888	112	1,858
Computer Expense	2,000	244	1,756	588
Professional Services	10,000	8,093	1,907	4,623
Repairs and Maintenance	30,000	27,733	2,267	56,865
Equipment Fuel	3,500	3,307	193	3,161
Equipment Repairs & Maintenance	4,800	21,801	(17,001)	3,401
Insurance	7,000	6,549	451	5,671
Pump Electricity	30,000	26,539	3,461	18,888
Cash Short (Over)	100	(171)	271	(154)
Miscellaneous	6,000	5,344	656	5,962
Uniforms	1,500	556	944	224
Water Treatment Supplies	57,000	47,717	9,283	24,992
Safe Drinking Water Fee	3,000	2,696	304	2,866
Depreciation	53,000	46,534	6,466	48,734
Total Operating Expenses	<u>282,720</u>	<u>269,759</u>	<u>12,961</u>	<u>254,837</u>
Net Operating Income	<u>60,080</u>	<u>60,449</u>	<u>369</u>	<u>29,934</u>
Nonoperating Revenues (Expenses)				
Water Tank Settlement	-	-	-	(42,021)
Bad Debt Expense	(5,000)	(3,931)	1,069	(9,991)
Total Nonoperating Revenues (Expenses)	<u>(5,000)</u>	<u>(3,931)</u>	<u>1,069</u>	<u>(52,012)</u>
Net Income (Loss) Before Operating Transfers	55,080	56,518	1,438	(22,078)
Operating Transfer to General Fund	<u>(132,000)</u>	<u>(132,000)</u>	<u>-</u>	<u>(50,000)</u>
Net Income (Loss)	\$ <u>(76,920)</u>	\$ <u>(75,482)</u>	\$ <u>1,438</u>	\$ <u>(72,078)</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 15

Enterprise Fund
Sewer Department

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended December 31, 2001
And Actual for the Year Ended December 31, 2000

	2001			2000
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Operating Revenues				
Charges for Services:				
Sewer Charges	\$ 268,000	\$ 253,806	\$ (14,194)	\$ 230,828
Total Operating Revenues	<u>268,000</u>	<u>253,806</u>	<u>(14,194)</u>	<u>230,828</u>
Operating Expenses				
Salaries and Wages	13,000	12,899	101	12,087
Payroll Taxes	1,020	908	112	935
Municipal Employees' Retirement Expense	550	515	35	510
Workers' Comp. Insurance	700	697	3	745
Repairs and Maintenance	18,000	12,462	5,538	20,542
Electricity	32,000	29,596	2,404	33,864
Maintenance Contract	14,000	13,200	800	12,100
Office & Computer	4,500	756	3,744	2,699
Equipment Fuel	1,300	909	391	1,115
Equipment Repairs	3,700	394	3,306	3,016
Analysis Fee	4,600	4,042	558	3,261
Insurance	1,500	818	682	910
Miscellaneous	5,500	1,283	4,217	4,557
Professional Services	12,000	8,460	3,540	10,380
Uniforms	750	546	204	-
Depreciation	116,000	125,928	(9,928)	112,998
Total Operating Expenses	<u>229,120</u>	<u>213,413</u>	<u>15,707</u>	<u>219,719</u>
Net Operating Income (Loss)	<u>38,880</u>	<u>40,393</u>	<u>1,513</u>	<u>11,109</u>
Nonoperating Revenues (Expenses)				
Interest Income	33,000	35,486	2,486	46,410
Bad Debt Recovery	3,000	2,854	(146)	2,009
Enterpy Refund	46,000	46,138	138	-
Interest Expense	(36,000)	(43,078)	(7,078)	(37,338)
Total Nonoperating Revenues (Expenses)	<u>46,000</u>	<u>41,400</u>	<u>(4,600)</u>	<u>11,081</u>
Net Income	<u>\$ 84,880</u>	<u>\$ 81,793</u>	<u>\$ (3,087)</u>	<u>\$ 22,190</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 16

Enterprise Fund
Gas DepartmentSCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended December 31, 2001
And Actual for the Year Ended December 31, 2000

	2001			2000
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Operating Revenues				
Gas Sales	\$ 802,000	\$ 709,977	\$ (92,023)	\$ 519,882
Cost of Gas Sales	(589,000)	(415,398)	173,602	(325,820)
Gross Profit on Gas Sales	213,000	294,579	81,579	194,062
Reconnect Fees	1,000	968	(32)	396
Penalties	20,000	20,805	805	14,018
Other Revenues	800	759	(41)	446
Total Operating Revenues	<u>234,800</u>	<u>317,111</u>	<u>82,311</u>	<u>208,922</u>
Operating Expenses				
Salaries and Wages	84,000	82,168	1,832	70,583
Payroll Taxes	6,650	5,928	722	5,036
Municipal Employees' Retirement Expense	3,000	2,965	35	2,403
Health Insurance	21,000	19,060	1,940	14,773
Workers' Comp. Insurance	2,500	1,981	519	1,550
Office Expense	1,500	805	695	2,065
Computer Expense	1,500	376	1,124	588
Professional Services	8,000	7,440	560	4,801
Repairs and Maintenance	10,000	8,661	1,339	7,968
Equipment Fuel	3,000	3,145	(145)	3,087
Equipment Repairs & Maintenance	4,200	4,369	(169)	3,191
Cathodic Protection	10,000	4,007	5,993	4,120
Gas Leak Survey	2,500	412	2,088	-
Odor Inspection	630	630	-	-
Uniforms	1,000	683	317	174
Insurance	9,000	7,905	1,095	6,581
Miscellaneous	3,000	3,000	-	4,340
Gas Meter Reading	4,000	4,034	(34)	4,206
DOT Drug Testing	900	933	(33)	73
Gas Operator Certification	2,000	1,620	380	3,545
Depreciation	26,000	17,737	8,263	20,125
Total Operating Expenses	<u>204,380</u>	<u>177,859</u>	<u>26,521</u>	<u>159,209</u>
Net Operating Income (Loss)	<u>30,420</u>	<u>139,252</u>	<u>108,832</u>	<u>49,713</u>
Nonoperating Revenues (Expenses)				
Bad Debt Expense	(2,000)	-	2,000	(3,996)
Total Nonoperating Revenues (Expenses)	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>	<u>(3,996)</u>
Net Income (Loss) Before Operating Transfer	<u>28,420</u>	<u>139,252</u>	<u>110,832</u>	<u>45,717</u>
Operating Transfer to General Fund	<u>(158,000)</u>	<u>(158,000)</u>	<u>-</u>	<u>(50,000)</u>
Net Income (Loss)	<u>\$ (129,580)</u>	<u>\$ (18,748)</u>	<u>\$ 110,832</u>	<u>\$ (4,283)</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 17

Enterprise Fund
Water, Sewer and Gas Departments
COMPARATIVE SCHEDULE OF CASH FLOWS-
PROPRIETARY FUND TYPE
Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 240,094	\$ 90,753
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	190,199	181,857
Change in accounts receivable	127,377	(151,056)
Change in inventory	(20,044)	-
Change in accounts payable	(75,275)	83,491
Change in accrued payables	(210)	1,138
Change in customer deposits payable	2,322	3,648
Change in accrued interest payable	-	(3,541)
Rounding	1	2
 Total adjustments	 <u>224,370</u>	 <u>115,539</u>
 Net cash provided by operating activities	 <u>464,464</u>	 <u>206,292</u>
 Cash flows from capital and related financing activities:		
Interest income	35,486	46,410
Repayment of RUS bonds	(10,104)	(12,307)
Payment for capital acquisitions	(660,697)	(8,716)
Interest paid	(43,078)	(37,338)
Capital contributions	628,793	-
 Net cash used for capital and related financing activities	 <u>(49,600)</u>	 <u>(11,951)</u>
 Cash flows from noncapital financing activities:		
Operating transfers to other funds	(290,000)	(100,000)
Entergy Refund	46,138	(42,021)
Bad debt recoveries	2,854	2,009
Bad debt expense	(3,931)	(13,987)
 Net cash used from noncapital financing activities	 <u>(244,939)</u>	 <u>(153,999)</u>
 Net increase in cash and cash equivalents	 169,925	 40,342
 Cash and cash equivalents, beginning of year	 <u>756,592</u>	 <u>716,250</u>
 Cash and cash equivalents, end of year	 <u>\$ 926,517</u>	 <u>\$ 756,592</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 18

Enterprise Fund
**SCHEDULE OF CHANGES IN ASSETS RESTRICTED FOR
 USDA RURAL DEVELOPMENT REVENUE BOND DEBT SERVICE
 AND SCHEDULE OF CUSTOMERS
 Year Ended December 31, 2001**

	<u>Reserve</u>	<u>Contingency</u>	<u>Total</u>
Cash Balance, January 1, 2001	\$ 25,678	\$ 29,330	\$ 55,008
Cash Receipts:			
Transfers From			
Operating Account	3,808	4,306	8,114
Cash Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Cash Balance, December 31, 2001	\$ <u>29,486</u>	\$ <u>33,636</u>	\$ <u>63,122</u>

As of December 31, 2001, the Town of Kentwood had the following number of customers:

	<u>Sewer</u>
Residential	782
Commercial	50
Total	<u>832</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 19

Enterprise Fund
Gas Department
SCHEDULE OF GAS SALES AND PURCHASES
Year Ended December 31, 2001

	<u>12/31/01</u>	<u>12/31/00</u>	<u>12/31/99</u>	<u>12/31/98</u>
Gas Sales				
Volume (M.C.F.)	54,327	54,706	50,105	50,887
Dollar Amount	\$ 709,840	\$ 463,882	\$ 376,972	\$ 382,809
Gas Purchases				
Volume (M.C.F.)	56,321	63,021	57,150	54,757
Dollar Amount	\$ 436,412	\$ 325,197	\$ 177,341	\$ 191,377
Gross Profit	\$ <u>273,428</u>	\$ <u>138,685</u>	\$ <u>199,631</u>	\$ <u>191,432</u>
Percent of Sales	38.52%	29.90%	52.96%	50.01%
Unaccounted for Gas Purchases				
Volume (M.C.F.)	1,994	8,315	7,045	3,870
Average Cost of				
Unaccounted for Gas	\$ 15,451	\$ 42,907	\$ 21,862	\$ 13,526
Percent of Purchases	3.54%	13.19%	12.33%	7.07%
Number of Customers at Year End:				
In Service-Industrial	1	1	1	1
In Service-Other	<u>524</u>	<u>548</u>	<u>549</u>	<u>544</u>
Total	<u>525</u>	<u>549</u>	<u>550</u>	<u>545</u>
Average Sales for Period				
Volume (M.C.F.)	103	100	91	93
Dollar Amount	\$ <u>1,352</u>	\$ <u>845</u>	\$ <u>685</u>	\$ <u>702</u>
Amounts Per M.C.F.				
Gas Sales-Industrial	\$ 11.85	\$ 6.50	\$ 5.46	\$ 5.45
Gas Sales-Other	<u>13.49</u>	<u>9.19</u>	<u>8.17</u>	<u>8.16</u>
Gas Sales Combined	\$ 13.07	\$ 8.48	\$ 7.52	\$ 7.52
Gas Purchases	<u>(7.75)</u>	<u>(5.16)</u>	<u>(3.10)</u>	<u>(3.50)</u>
	5.32	3.32	4.42	4.02
Unaccounted for Gas	<u>(0.27)</u>	<u>(0.68)</u>	<u>(0.38)</u>	<u>(0.27)</u>
Gross Profit per M.C.F. Sold	\$ <u>5.05</u>	\$ <u>2.64</u>	\$ <u>4.04</u>	\$ <u>3.75</u>

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 20

**SCHEDULE OF INSURANCE
Year Ended December 31, 2001**

<u>Company Name</u>	<u>Coverage Dates</u>	<u>Description</u>
CNA Surety Bond # 18259952	11/01/01 - 11/01/02	\$150,000 - Bond - Bobby Gill, Mayor
CNA Surety Bond # 18208517	7/01/01 - 7/01/02	\$150,000 - Bond - Acting Clerk
CNA Surety Bond # 18272062	6/20/01 - 6/20/02	\$310,000 - Bond - Position Schedule
Scottsdale Indemnity Co. Policy # CA10021368	2/01/01 - 2/01/02	\$500,000 Commercial Auto Liability (Personal Injury Protection)
Scottsdale Indemnity Co. Policy # PEIOO3158	2/01/01 - 2/01/02	\$1,609,390 Commercial Property Policy
Scottsdale Indemnity Co. Policy # PEIOOO382	2/01/01 - 2/01/02	Public Officials Liability Coverage: \$500,000 Each Public Officials Wrongful Act \$500,000 Annual Aggregate
Scottsdale Indemnity Co. Policy # PEIOOO382	2/01/01 - 2/01/02	Law Enforcement Liability: \$500,000 Each Law Enforcement Wrongful Act \$500,000 Annual Aggregate
Scottsdale Indemnity Co. Policy # PEIOO3158	2/01/01 - 2/01/02	General Liability Coverage: \$1,000,000 General Aggregate, \$1,000,000 Completed Operations, \$500,000 Bodily Injury & Property Damage Each Occurrence \$500,000 Personal Injury & Advertising Injury Each Occurrence
Evanston Insurance Co. Policy # SK800874	1/01/01 - 1/01/02	Natural Gas and Water Distribution: \$1,000,000 Each Accident \$1,000,000 Policy Aggregate
Louisiana Workers' Compensation Corporation	11/19/01 - 11/19/02	Statutory Limits

The accompanying notes are an integral part of these statements.

Town of Kentwood

Schedule 21

**Schedule of Compensation Paid Board Members
For the Year Ended December 31, 2001**

The Schedule of Compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

<u>Name</u>	<u>Address</u>	<u>Term of Office</u>	<u>FYE 12/31/01</u>
Bobby Gill, Mayor (985) 229-3150	P O Box 559 Kentwood, LA 70444	1/1/98 - 12/31/02	\$ 18,240
Bernell J. Cook, Council Member (985) 229-2385	1335 3 rd Street Kentwood, LA 70444	1/1/98 - 7/31/01	1,320
Kathleen Bryan, Council Member (985) 229-2535	504 Ave. A Kentwood, LA 70444	1/1/98 - 12/31/02	2,640
Dr. Carlton S. Faller, Council Member (985) 229-3681	309 Ave. A Kentwood, La 70444	1/1/98 - 12/31/02	2,640
Ferrie Blackman, Council Member (985) 229-3005	710 Ave. K Kentwood, LA 70444	1/1/98 - 12/31/02	2,640
Irma T. Gordon, Council Member (985) 229-5228	1607 13th Street Kentwood, LA 70444	1/1/98 - 12/31/02	2,640
Nelson Simmons, Jr., Council Member (985) 229-7310	1422 3rd Street Kentwood, LA 7044	8/1/01 - 10/31/01	660
Margaret Smith, Council Member (985) 229-7509	73515 Hwy 51 Kentwood, LA 70444	11/1/01 - 12/31/02	440
James Rimes, Police Chief (985) 229-5453	307 Avenue I Kentwood, LA 70444	1/1/98 - 12/31/02	28,915
			<u>\$ 60,135</u>

All Terms Expire 12/31/2002.

The accompanying notes are an integral part of these statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2001

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. Department of HUD Direct Program:			
Community Development Block Grant/Small Cities	14.219	101-900445	\$ 184,577
Community Development Block Grant/Small Cities	14.219	57-4356	33,453
Section 8 Rental Certificate Program	14.855	LA206V0	<u>149,135</u>
Total U.S. Department of HUD			<u>367,165</u>
U.S. Department of Justice			
Local Law Enforcement Block Grants Program	16.592	1999-LB-VX-8259	<u>3,608</u>
Total U.S. Department of Justice			<u>3,608</u>
Total Federal Awards			\$ <u><u>370,773</u></u>

Note 1. Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of the Town and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2. Loans Outstanding

The Town had the following loan balance outstanding at December 31, 2001. This loan balance outstanding is not included in the schedule of expenditures of federal wards.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
U.S. Department of Agriculture - Rural Development - Rural Utilities Service	10.770	\$828,907

The accompanying notes are an integral part of this statement.

Town of Kentwood

Schedule 23

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2001**

Section I - Internal Control and Compliance Material to the Financial Statements:

No Section I Findings in Prior Year.

Section II - Internal Control and Compliance Material to Federal Awards:

Reference Number: 99-F1

Fiscal Year Finding Initially Occurred:

December 31, 2000

Description of Finding:

The Section 8 Housing Choice Voucher Program was tested for the fiscal year ending December 31, 2000, although the program was not determined to be a Major Program. For the fiscal year ending December 31, 2000, of the 25 tenants sampled in the Section 8 Housing Choice Voucher, we noted one error in rent computations. In this instance, the amount of unemployment compensation (\$3,484 for the 26-week period) was doubled, although the eligibility period for unemployment benefits was only for six months. We recommended that each Section 8 file once again be reviewed to determine that rent computations are correct. In addition, we also recommended that the Town Clerk periodically conduct a review of Section 8 files to determine that rent computations are correct, and that required documentation is on file.

Corrective Action Planned (Response by Management):

For the fiscal year ending December 31, 2000, the Section 8 Administrator stated that the annual re-certification was scheduled, and she will correct the amount of income used in the rent computation, and will immediately correct any prior error.

Corrective Action Taken: Final.

Additional Description of Corrective Action Taken:

Although the item in question was corrected, review per Finding 2001-F1 in the Corrective Action Plan for Current Year Audit Findings indicates that the wrong payment standard is being applied in the calculation of rental payments.

Town of Kentwood

**Schedule 23
(Continued)**

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2001**

Reference Number: 99-F2

Fiscal Year Finding Initially Occurred:

December 31, 2000

Description of Finding:

As part of the review and testing of the Section 8 Housing Choice Voucher Program for the fiscal year ending December 31, 2000, of the sample of 25 tenants, the annual reinspection was on file for each tenant. However, for two cases tested, the dependent documentation was still not on file. The error would project to a total of 4 tenants for the entire population of 50 tenants. We recommended that each file once again be reviewed to determine that dependent documentation is on file as required.

Corrective Action Planned (Response by Management):

Management provided the documentation requested for dependent documentation.

Corrective Action Taken: Final.

Additional Description of Corrective Action Taken:

Although the items in question were corrected, review per Finding 2001-F2 in the Corrective Action Plan for Current Year Audit Findings indicates that dependent documentation was not on file for other tenants.

Reference Number: 2000-F1

Fiscal Year Finding Initially Occurred:

December 31, 2000

Description of Finding:

Subsequent to the fiscal year-ending December 31, 2000, the Town of Kentwood determined that there was a question regarding the ownership of a housing unit receiving Section 8 Rental Assistance. Since documentation received by the Town of Kentwood indicated that the actual owner of the unit was the tenant, a letter was forwarded to the tenant, by the Section 8 Administrator, demanding repayment of the funds paid for the Section 8 contract. The letter specified a deadline for contacting the Section 8 Office. The PHA has notified HUD of this discrepancy. A total of \$9,900 was paid in rental assistance for the period in question.

Town of Kentwood

**Schedule 23
(Continued)**

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2001**

We recommended that the matter be followed up in accordance with recommendations of the HUD Area office. The Town complied to this recommendation for the fiscal year ending December 31, 2000 by forwarding a copy of the findings to the District Attorney's Office. Since no action has been taken on this case, we also recommend for the current fiscal year ending December 31, 2001, that a copy of the entire file for this case be transferred to the District Attorney's Office, along with a cover letter clarifying whether further action is required by the Town.

Corrective Action Planned (Response by Management):

The Town will forward a copy of the file to the District Attorney's Office, along with a cover letter as recommended.

Corrective Action Taken: Partial

Additional Description of Corrective Action Taken:

Corrective action is listed as partial pending response by the District Attorney's Office.

Reference Number: 2000-F2

Fiscal Year Finding Initially Occurred:

December 31, 2000

Description of Finding:

An integral part of management of the Section 8 Housing Program involves adherence to the policies and procedures included within the Section 8 Administrative Plan. An acceptable Administrative Plan is a key requirement for continued funding of the Section 8 Program. This plan describes how a housing authority (Town of Kentwood) must operate its Section 8 program. For example, the Plan must state the method used to determine that the rent to the owner is reasonable in comparison to rent for other comparable unassisted units. We noted for the fiscal year ending December 31, 2000 that the Administrative Plan had not been submitted to the Department of Housing & Urban Development (HUD), as required. We recommended that the Administrative Plan be updated and submitted to HUD immediately.

For the fiscal year ending December 31, 2001, although the Administrative Plan was reported to be submitted to the Department of Housing and Urban Development, the Administrative Plan on file was notably deficient and did not list the required policies and procedures necessary to operate a Section 8 Housing Choice Voucher Program.

Town of Kentwood

**Schedule 23
(Continued)**

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2001**

We recommend that an Administrative Plan be developed immediately for the Section 8 Housing Choice Voucher Program, and that the Plan be developed based on the revised model document developed in 1998 for Section 8 Programs. Since this plan defines the operating procedures for the Section 8 program, non-compliance will continue to be noted in numerous areas until an acceptable plan is developed.

Corrective Action Planned (Response by Management):

We will develop the required Administrative Plan immediately in accordance with Section 8 Administrative Plan sample documents and related HUD directives.

Corrective Action Taken: Partial

Additional Description of Corrective Action Taken:

Corrective action will remain as "partial" until an acceptable Administrative Plan is developed.

Section III - Management Letter:

No Section III Findings in Prior Year.

(Concluded)

Town of Kentwood

Schedule 24

**Corrective Action Plan for Current
Year Audit Findings
For the Year Ended December 31, 2001**

Section I - Internal Control and Compliance Material to the Financial Statements:

No findings for Section I.

Section II - Internal Control and Compliance Material to Federal Awards:

Reference Number: 2001-F1

Description of Finding:

The Section 8 Housing Choice Voucher Program was tested for the fiscal year ending December 31, 2001, although the program was not determined to be a Major Program. A total of 20 tenant files, of a total population of 44 tenant files, were tested to determine if the rent to owner calculation and the utility reimbursement to tenant was correct. Findings were as followed:

- 1) The wrong Payment Standard (the fair market values for each bedroom size) was incorrectly used for each of the twenty calculations, indicating that the wrong payment standard was used for all 44 tenant files.
- 2) For sixteen of twenty (80%) of the tenant files selected, the wrong form, the "CE" form (for the prior Section 8 Existing Program) for HUD Form 50058 was used for the calculations. Projected to the population, this would indicate that 35 of the calculations involved use of the incorrect form.
- 3) For sixteen of twenty (80%) of the tenant files tested, the rent to owner was calculated incorrectly. Projected to the total population of 44 tenant files, this would indicate that 35 of 44 calculations for tenant rent to owners were incorrect. However, the net variance considering the total overpayments and amounts underpaid to owners was immaterial with only \$21 underpaid to owners, with a total of \$46 underpayment projected to the total population of 44 tenants.
- 4) For seven of twenty (35%) of the tenant files, the utility reimbursement to the tenant was calculated incorrectly. Projected to the population of 44 tenant files, this would indicate that the utility reimbursement to tenant was calculated incorrectly for 15 tenants. However, the net variance considering the total overpayments and amounts underpaid to tenants was immaterial with only \$108 overpaid to tenants, with a total of \$238 projected to the population.

We recommend that all tenant calculations be re-done using the correct payment standards and forms for calculation, and that notification be made to the Local Department of Housing & Urban Development Office that corrections have been made.

Corrective Action Planned:

We have re-calculated rent to owner, rent paid to owner, and utility reimbursement to tenant using the correct forms. We will notify the Local HUD office that this information is available for review.

Town of Kentwood

**Schedule 24
(Continued)**

**Corrective Action Plan for Current
Year Audit Findings
For the Year Ended December 31, 2001**

Name of Contact Person:

Bobby Gill, Mayor
308 Avenue G
Kentwood, LA 70444

Anticipated Completion Date:

The recommended action will be taken immediately.

Reference Number: 2001-F2

Description of Finding:

Of a total of 20 files tested for the Section 8 Housing Choice Voucher Program, dependent documentation (proof of birth or proof of status as a student) was not on file for 5 tenants. Projected to the population, this would indicate dependent documentation was not on file for 25% (11) of the total population of tenant files. We recommend that all tenant files be reviewed and documentation be added for all eligible dependents.

Corrective Action Planned:

We will review all tenant files immediately to insure that tenant documentation is on file.

Name of Contact Person:

Bobby Gill, Mayor
308 Avenue G
Kentwood, LA 70444

Anticipated Completion Date:

The recommended action will be taken immediately.

Town of Kentwood

**Schedule 24
(Continued)**

**Corrective Action Plan for Current
Year Audit Findings
For the Year Ended December 31, 2001**

Reference Number: 2001-F3

Description of Finding:

On September 30, 2001, the Section 8 Housing Choice Voucher Program for the Town of Kentwood received notification from the Department of Housing and Urban Development that the Section 8 Program's utilization rate for the fiscal year ended December 31, 2000, was below the 95% mark. The utilization rate compares the percentage of units occupied by Section 8 tenants to the actual amount of housing units authorized for leasing. For the fiscal year ending December 31, 2001, the utilization rate for the Town's Section 8 Program was 79.1% (522 of 660 unit months for the fiscal year), indicating that approximately eleven units are not leased. We recommend that an Administrative Plan be developed immediately for the Section 8 Housing Choice Voucher Program, and that the Plan be developed based on the current model document for PHA (Public Housing Authority) Plans available from the U.S. Department of Housing and Urban Development. When developing operating procedures for the Administrative Plan, we also recommend that a complete copy of the "Voucher Program Guidebook-Housing Choice" (Publication 7420.10G) be printed for reference. We recommend that the Town's Administrative Plan be revised to indicate how the Town will actively market the Section 8 Program to prospective landlords.

Corrective Action Planned:

We will implement the above recommendations immediately. We have also discussed with HUD representatives the possibility of leasing units outside the Town's municipal boundaries.

Name of Contact Person:

Bobby Gill, Mayor
308 Avenue G
Kentwood, LA 70444

Anticipated Completion Date:

We will implement the above recommendations immediately.

Town of Kentwood

**Schedule 24
(Continued)**

**Corrective Action Plan for Current
Year Audit Findings
For the Year Ended December 31, 2001**

Reference Number: 2001-F4

Description of Finding:

An integral part of the Section 8 Housing Choice Voucher Program involves the filing of HUD Form 50058 on-line. This form is required to be filed on-line to HUD as each housing unit is re-certified each year. The annual certification provides information to HUD on the housing unit and tenant, including calculation of rent to owner, tenant rent paid to owner, and utility reimbursement to tenant. Of the sample of 20 tenant files selected for testing, and based on review with HUD representatives, we found no evidence to indicate that any of these forms had been filed on a timely basis, indicating that HUD Form 50058 had not been filed on a timely basis for all 44 tenant files. We recommend that HUD Form 50058 be filed on-line with the annual re-certification for each unit.

Corrective Action Planned:

We have now re-submitted HUD Form 50058 for each tenant as required, and will in the future file this form with the annual re-certification.

Name of Contact Person:

Bobby Gill, Mayor
308 Avenue G
Kentwood, LA 70444

Anticipated Completion Date:

We will implement the above recommendations immediately.

Reference Number: 2001-F5

Description of Finding:

One of the key administrative tools for the Section 8 Housing Choice Voucher Program is the filing of the Annual Certification (SEMAP Certification) by housing authorities (Town of Kentwood). This certification is to be filed on-line within sixty days of the end of the fiscal year, and is used by the Department of Housing and Urban Development to assess the operating performance of the Town's Section 8 program. We noted that the SEMAP certification was submitted 30 days late, and that the Payment Standards (fair market rents per size unit) were incorrect. We recommend that the certification be submitted correctly on the timetable required by HUD.

Town of Kentwood

**Schedule 24
(Continued)**

**Corrective Action Plan for Current
Year Audit Findings
For the Year Ended December 31, 2001**

Corrective Action Planned:

The SEMAP certification will be submitted within 60 days of fiscal year-end as required by HUD.

Name of Contact Person:

Bobby Gill, Mayor
308 Avenue G
Kentwood, LA 70444

Anticipated Completion Date:

We will implement the above recommendations immediately.

Section III - Management Letter:

No Section III Findings in Current Year.

(Concluded)

Town of Kentwood

Schedule 25

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2001**

III. Type of Report Issued on the Financial Statements.

An unqualified opinion was issued on the financial statements for the Town of Kentwood.

IV. Disclosure of Reportable Conditions in Internal Control.

No reportable conditions were disclosed.

III. Disclosure of Noncompliance Material to the Financial Statements.

Material instances of noncompliance, required to be reported in accordance with *Governmental Auditing Standards*, are disclosed in the financial statement audit within the *Summary Schedule of Prior Year Audit Findings* as Reference Numbers 2000-F1 and 2000-F2, and within the Corrective Action Plan for Current Year Audit Findings as Reference Numbers 2001-F1, 2001-F2, 2001-F3, 2001-F4, and 2001-F5.

IV. Disclosure of Reportable Conditions in Internal Control over Major Programs.

There were no Reportable Conditions for Major Programs of the Town of Kentwood, which are required to be reported in accordance with *Governmental Auditing Standards*.

V. Type of Report Issued for Major Programs

Unqualified

VI. Disclosure of Audit Findings Required to be Reported under S____.510 Audit Findings.

There were no audit findings required to be reported under S____.510 Audit Findings.

VII. Identification of Major Programs.

The Major Program identified for the Town of Kentwood, for the fiscal year ended December 31, 2001, was the U.S. Department of Housing and Urban Development Community Development Block Grants/Small Cities (CFDA # 14.219).

VIII. Dollar Threshold to Distinguish Between Type "A" and Type "B" Programs.

Expenditures of \$300,000.

IX. Statements as to whether the Auditee Qualified as Low-Risk Auditee under S____.530.

No. The Town of Kentwood did not qualify as a low-risk auditee under the provisions of S____.530.

Town of Kentwood

**Schedule 25
(Continued)**

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2001**

X. Findings Which Must be Reported in Accordance With GAGAS.

Findings were disclosed within the *Summary Schedule of Prior Year Audit Findings* as Reference Numbers 2000-F1 and 2000-F2, and within the Corrective Action Plan for Current Year Audit Findings as Reference Numbers 2001-F1, 2001-F2, 2001-F3, 2001-F4, and 2001-F5.

(Concluded)

BRUCE HARRELL & CO.
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Society of Louisiana CPAs

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL STRUCTURE OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor, Bobby Gill
and Members of the Board of Aldermen
Town of Kentwood, Louisiana

We have audited the financial statements of the Town of Kentwood, Louisiana, as of and for the year ended December 31, 2001, and have issued our report thereon dated May 24, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Kentwood, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of Summary Schedule of Prior Year Audit Findings as items 2000-F1 and 2000-F2, and within the Corrective Action Plan for Current Year Audit Findings as items 2001-F1, 2001-F2, 2001-F3, 2001-F4, and 2001-F5.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Kentwood's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

The Honorable Mayor, Bobby Gill
and Members of the Board of Aldermen
Page 2

This report is intended for the information of the management of the Town of Kentwood, the Legislative Auditors and the cognizant Federal Agency. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Town of Kentwood, Louisiana is a matter of public record.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

May 24, 2002

Bruce C. Harrell, CPA

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Michael P. Estay, CPA
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor, Bobby Gill
and Members of the Board of Aldermen
Town of Kentwood, Louisiana

Compliance

We have audited the compliance of the Town of Kentwood with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2001. The Town of Kentwood's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town of Kentwood's management. Our responsibility is to express an opinion on the Town of Kentwood's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kentwood's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Kentwood's compliance with those requirements.

In our opinion, the Town of Kentwood complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the Town of Kentwood is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Kentwood's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

The Honorable Mayor, Bobby Gill
and Members of the Board of Aldermen
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

This report is intended for the information of the management of the Town of Kentwood, the Legislative Auditors and the cognizant Federal Agency. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Town of Kentwood, Louisiana is a matter of public record.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

May 24, 2002

FINANCIAL DATA
As Electronically Submitted
(Required to meet HUD Regulatory Requirement)

Voucher for Payment of Annual Contributions and Operating Statement

Housing Assistance Payments Program
See Instructions in appropriate program Handbooks

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0149
(Exp. 7/31/2001)

Public reporting burden for this collection of information is estimated to average 3 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and you are not required to respond to, a collection of information unless that collection displays a valid OMB control number. Authority for this collection of information is the Housing and Community Development Act of 1987. Housing Agencies (HAs) required to maintain financial reports in accordance with accepted accounting standards too permit timely and effective audits. The financial records identify the amount of annual contributions that are received and disbursed by HAs. Responses to the collection of information are required to obtain a benefit or to retain a benefit. The information requested does not lend itself to confidentiality.

1. Public Housing Agency (HA) (name and address) Town of Kentwood 308 Avenue G Kentwood, LA 70444		2. Program Type <input type="checkbox"/> Section 23 <input checked="" type="checkbox"/> Section 8		3. Project Number LA206V0		Voucher Number (HUD use only)	
4. PHA Annual Contributions Contract Number				5. HA Fiscal Year Ending Date (mark one and complete the year as YYYY) <input type="checkbox"/> (a) March 31 <input type="checkbox"/> (b) June 30 <input checked="" type="checkbox"/> (c) Sept. 30 <input type="checkbox"/> (d) December 31 2001			
6. HUD Field Office				7. HUD Regional Office			
8. Beginning date of First PHA Fiscal Year (mm/dd/yyyy)							

9. Housing Program type (mark one) <input type="checkbox"/> (a) New Construction <input type="checkbox"/> (b) Substantial Rehab. <input type="checkbox"/> (c) Moderate Rehab. <input type="checkbox"/> (d) Rental Certificates <input checked="" type="checkbox"/> (e) Rental Vouchers		10. Number of Dwelling Units Under ACC (Supported by Annual Contribution) 55 Under Lease 44		11. Number of Unit Months 522		Request is hereby made for the payment of annual contributions pursuant to the terms and conditions of the above numbered Annual Contributions Contract for the project and fiscal year shown above.	
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Part I. Request for Payment	Approved Budget Estimates (a)	PHA Actuals (Rental Vouchers only)		PHA Actuals Total (d)	HUD Approved (Rental Vouchers only)		HUD Approved Total (g)
		PHA Actuals (b)	PHA Fee (c)		Housing Payments (e)	PHA Fee (f)	
Maximum Annual Contributions Available							
12. Maximum Annual Contributions Commitment (per ACC)	22,940			22,940			
13. Prorata Maximum Annual Contributions applicable to a period in excess of twelve months	158,608			158,608			
14. Maximum Annual Contributions for Fiscal Year (Lines 12 and 13)	181,548			181,548			
15. Contingency Reserve, Project Account, or Subsidy, or Fee Reserve 2825 Section 23 Projects 2827 Section 8 Projects 2827.1 Rental Voucher Subsidy 2827.2 Rental Voucher Fees	46,619			46,619			
16. Total Annual Contributions Available	228,167			228,167			
Annual Contributions Required							
17. 4715 Housing Assistance Payments	127,812			126,956			
18. Security and Utility Deposit Fund (Section 23 only)							
19. Ongoing Administrative Fees Earned	20,098			20,003			
20. Hard-to-House Fees Earned (Rental Certificates, Rental Vouchers, and Moderate Rehabilitation units converted to Rental Certificates)							

Part I. Request for Payment	Approved Budget Estimates (a)	PHA Actuals (Rental Vouchers only)		HUD Approved (Rental Vouchers only)		PHA Actuals Total (d)	HUD Approved Total (g)
		Housing Payments (b)	PHA Fee (c)	Housing Payments (e)	PHA Fee (f)		
21. Actual Independent Public Accountant Audit Costs						1,500	
22. Actual Preliminary Administrative and General Expense	1,500						
23. Actual Preliminary Administrative and General Expense attributable to carryover from FY ending* <input type="text"/>							
24. Actual Preliminary Non-Expendable Equipment Expense							
25. Actual Preliminary Non-Expendable Equipment Expense attributable to carryover from FY ending* <input type="text"/>							
26. Total Funds Required (sum of lines 17 thru 25)	149,410					148,459	
27. Deficit at end of preceding Fiscal Year							
28. Project Receipts other than Annual Contributions (3610, 3690, 7530, and Section 23 Security and Utility Deposits Repaid)						0	
29. Ongoing Administrative Fee Reduction							
30. Total Annual Contributions Required (line 26 plus line 27 minus line 28 minus line 29, if applicable)						148,459	
Balance of Annual Contributions Available 31. Project Account Balance (amount by which line 16 exceeds line 30)	78,757					79,708	
32. Deficit (amount by which line 30 exceeds line 16)							
33. Provision for Project Account a) Increase (amount by which line 31 exceeds line 15)	32,138						
b) Decrease (amount by which line 15 exceeds line 31)							
Year End Settlement 34. Annual Contributions due for Fiscal Year (line 30 minus line 32)						148,459	
35. Total Partial Payments Approved by HUD for Fiscal Year						149,410	
36. Underpayment due PHA (amount by which line 34 exceeds line 35)							
37. Overpayment due HUD (amount by which line 35 exceeds line 34)						951	

* Show all dates as (mm/dd/yyyy)

Part II. Operating Receipts	PHA Actuals (Rental Vouchers only)		PHA Actuals Total (d)	HUD Approved (Rental Vouchers only)		HUD Approved Total (g)
	Housing Payments (b)	PHA Fee (c)		Housing Payments (e)	PHA Fee (f)	
38. 3300 Interest Earned on Operating Reserve Investments			825			
39. 3310 Interest Earned on General Fund Investments						
40. 3300.1 Fraud Recovery Funds Retained						
41. 7530 Receipts from Non-Expendable Equipment not Replaced						
42. Total Operating Income (sum of lines 38 thru 41)						
43. Total Annual Contributions Required (line 30)			148,459			
44. Total Receipts (sum of lines 42 thru 43)			149,284			
Part III. Operating Expenditures			126,956			
45. 4715 Housing Assistance Payments						
46. Independent Public Accountant Costs (Section 8 only)			1,500			
Ongoing Administrative Expenses			11,220			
47. 4110 Administrative Salaries						
48. 4130 Legal Expense						
49. 4140 Staff Training						
50. 4150 Travel						
51. 4180 Office Rent						
52. 7520 Replacement of Non-Expendable Equipment						
53. 7540 Property Betterments and Additions						
54. 4190 Sundry Administrative Expense						
55. 4400 Maintenance and Operation (Non-Expendable Equipment)						
56. 4510 Insurance						
57. 4530 Terminal Leave Payments						
58. 4540 Employee Benefit Contributions			938			
59. 4590 Other General Expense			8,521			
60. Total Administrative Expenses (sum of lines 47 thru 59)			20,679			
Preliminary Expense (Attach Supporting Documentation)						
61. 4012/4110 Administrative Salaries						
62. 4012/4130 Legal Expense						
63. 4012/4150 Travel						
64. 4012/4170 Accounting Fees						
65. 4012/4180 Office Rent						
66. 4012/7520 Replacement of Non-Expendable Equipment						
67. 4012/7540 Property Betterments and Additions						
68. 4012/4190 Sundry Administrative Expense						
69. 4012/4540 Employee Benefit Contributions						
70. 4012/4400 Maintenance and Operation (Non-Expendable Equipment)						
71. 4012/4510 Insurance						
72. Total Preliminary Expense (sum of lines 61 thru 71)						
73. Total Operating Expenditures (sum of lines 45, 46, 60, and 72)			149,135			

	PHA Actuals (Rental Vouchers only)		PHA Actuals Total (d)	HUD Approved (Rental Vouchers only)		HUD Approved Total (g)
	Housing Payments (b)	PHA Fee (c)		Housing Payments (e)	PHA Fee (f)	
Prior Year Adjustments						
74. Affecting Residual Replacements (or Deficit) - for Debit (Credit)						
75. Total Operating Expenses (sum of lines 73 and 74)			149,135			
76. Net Income (or Deficit) before provision for Operating Reserve (line 44 minus line 75)			149			
Part IV. Analysis of Operating Reserve						
77. Operating Reserve - Balance at beginning of FY covered by this statement			17,638			
2824 Section 23						
2826 Section 8						
2826.1 Rental Vouchers						
78. Cash Withdrawals for Reserve during Fiscal Year			17,638			
79. Net Operating Reserve after Cash Withdrawals (line 77 minus line 78)			149			
80. Net Income (or Deficit) before provision for Operating Reserve (line 76)						
81. Net Deficit brought forward from preceding Fiscal Year (line 86)			149			
82. Total Income (or Deficit) (line 80 minus line 81)			149			
Provisions for Operating Reserves (Account 7016/Sec. 8; Account 7016.1/Rental Vouchers)						
83. Addition (Amount of income, if any, on line 82)						
84. Deduction (Amount of deficit, if any, on line 82, but not to exceed the amount of line 80)						
85. Operating Reserve - Balance at end of FY covered by this statement (line 79 plus line 83 minus line 84, as applicable)			17,787			
86. Deficit at end of FY covered by this statement, if any (line 82 minus line 84)						
Status of Contingency Reserve (Section 23 Projects only)						
87. 2825 Contingency Reserve - Balance at end of FY (the lesser of line 31 or 10% of line 12)						
88. 7025 Provision for Contingency Reserve						
a) Increase (amount by which line 87 exceeds line 15)						
b) Decrease (amount by which line 15 exceeds line 87)						
Status of Security and Utility Deposit Fund (Section 23 Projects only)						
89. 2168.1 Security and Utility Deposit Funds provided						
90. 2168.2 Security and Utility Deposits (Uncollectable Advances)						
91. Balance of Security and Utility Deposit Fund (line 89 minus line 90)						
92. 1127 Accounts Receivable - Advances for Security and Utility Deposit						
93. Security and Utility Deposit Funds available (line 91 minus line 92)						
Name of Public Housing Agency Town of Kentwood 308 Avenue G Kentwood, LA 70444		Title of Authorized PHA Official Bobby Gill, Mayor Signature of Authorized PHA Official and Date		I Certify that: (1) housing assistance payments have been or will be made only in accordance with Housing Assistance Payments Contracts or Rental Voucher Contracts in the form prescribed by HUD and in accordance with HUD regulations and requirements; (2) units have been inspected by the HA in accordance with HUD regulations and requirements; and (3) this voucher for annual contributions has been examined by me and to the best of my knowledge and belief is true, correct and complete. Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)		
The Field Office has reviewed calculations of the Ongoing Administrative Fee. The HUD approved totals are the official totals as reported in HUD CAPs.						
Name of Office MAYOR Signature of Director, Office of Public Housing and Date <i>Bobby Gill</i>			Overpayment received from PHA \$ _____ Underpayment Certified for payment \$ _____ Date Underpayment Certified (mm/dd/yyyy) _____			